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A series of unprecedented events – the June quarter 2020

The Australian Statistician's Analytical Series provides insights into topical economic and/or social developments captured in ABS data

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Introduction

Author area: Macroeconomic Statistics Division¹

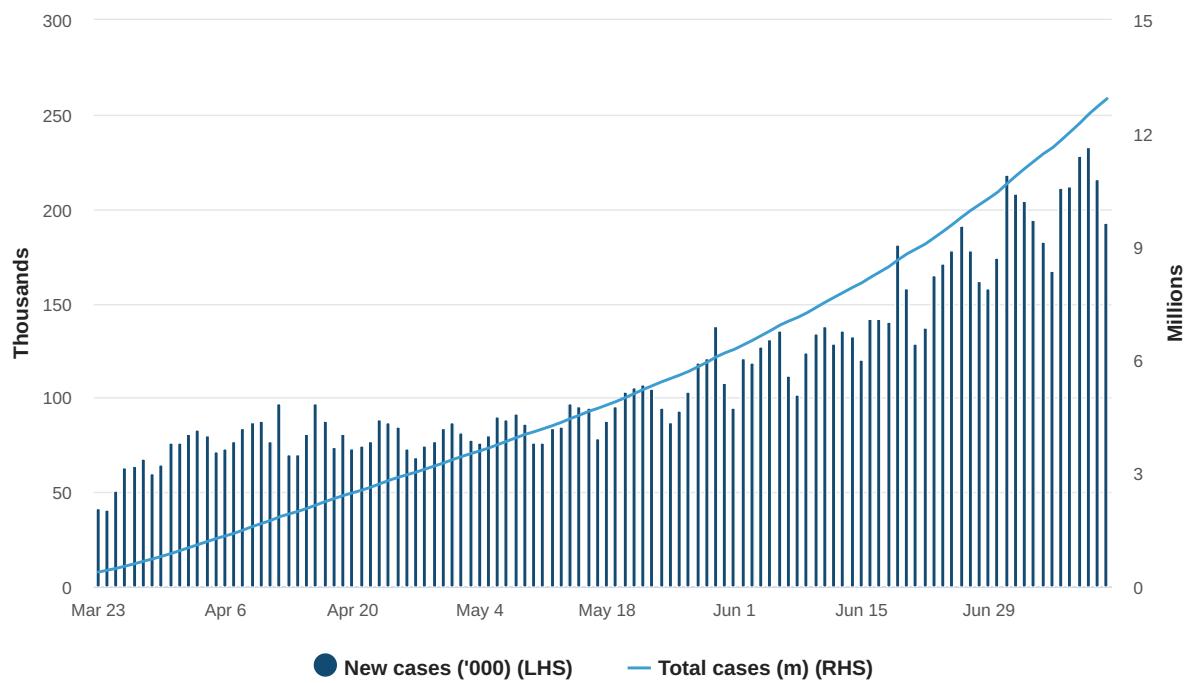
1.1 Measuring the continuing economic impacts of COVID-19

Global uncertainty associated with the rise in COVID-19 infections and deaths around the world dominated the June quarter of 2020 (Figure 1). The COVID-19 pandemic had an unprecedented impact on the global economy and Australia was not immune to its effects.

To meet the demand from government, business and the Australian community for near 'real-time' data on the impacts of COVID-19, the ABS continued to produce a range of [new 'rapid response' surveys](#) (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/5676.0.55.003>). These new statistical products complemented the regular ABS economic statistical publications, which continued to provide benchmark measurements of the Australian economy.

This article brings together data from the regular key economic statistical releases including the National and International Accounts, the Labour Force Survey, Weekly Payroll Jobs and Wages statistics, price indexes and government finance statistics. It builds on the [March quarter analysis \(/articles/droughts-fires-cyclones-hailstorms-and-pandemic-march-quarter-2020\)](#) of the pandemic's impact to create a comprehensive record of the Australian economy's response to the unfolding events of the June quarter.

Figure 1: Worldwide COVID-19 case numbers, June quarter, 2020



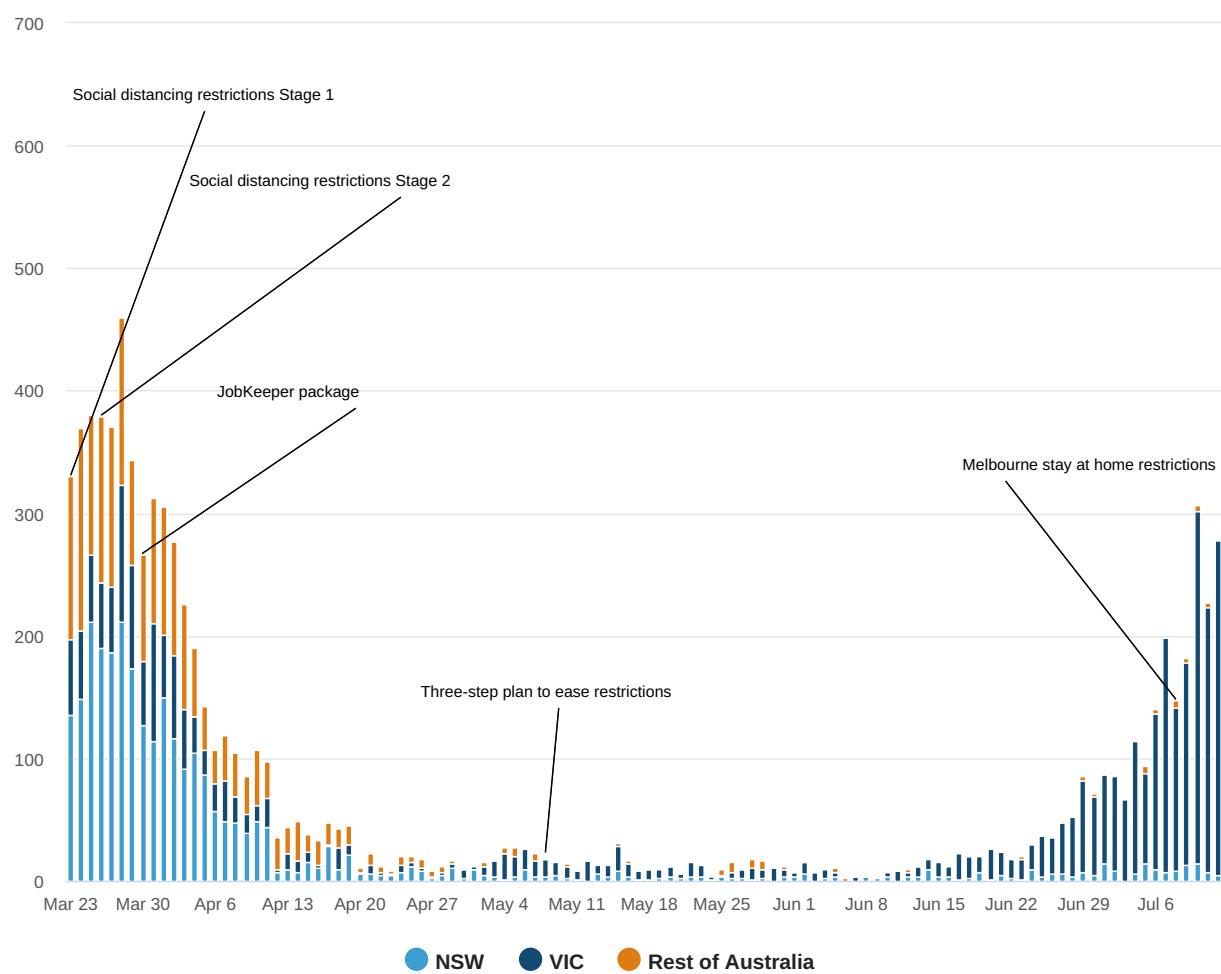
Source: COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, <https://github.com/CSSEGISandData/COVID-19> (<https://github.com/CSSEGISandData/COVID-19>).

1.2 Overview of June quarter 2020 events in Australia

In late March Australia started to see falls in new daily COVID-19 cases (Figure 2). From mid-April onwards, NSW and Victoria were the only states with new COVID-19 case figures higher than 10 per day. New cases in NSW fell below this level at the end of April.

The fall in COVID-19 cases saw the gradual easing of restrictions on local travel and social gatherings in most parts of Australia. Students began progressively returning to face-to-face teaching in May.

Figure 2: New daily cases of COVID-19, NSW, Victoria and the rest of Australia



Sources: <https://www.covid19data.com.au/states-and-territories> (<https://www.covid19data.com.au/states-and-territories>)

and <https://infogram.com/1p0lp9vmnqd3n9te63x3q090ketnx57evn5?live> (<https://infogram.com/1p0lp9vmnqd3n9te63x3q090ketnx57evn5?live>)

The key events in the June quarter 2020 are:

- March 23 - Social distancing restrictions Stage 1
- March 26 - Social distancing restrictions Stage 2
- March 30 - JobKeeper package
- May 8 - Three-step plan to ease restrictions
- July 8 - Melbourne stay at home restrictions

In June Victoria's case statistics took a different trajectory. While the number of new daily cases fell in April and May, they began to rise again from mid-June, with nearly 200 new daily cases recorded shortly after the end of the quarter.

Immediately after the end of the June quarter (on 1 July), Victoria introduced 'Stay at Home' restrictions for selected Melbourne postcodes, expanding these to include metropolitan Melbourne and Mitchell Shire on 8 July.

While business trading restrictions gradually eased in most states across the June quarter, business of all sizes continued to be affected by the remaining restrictions and altered consumer behaviour.

1.3 The unprecedented economic movements of the June quarter

The combined effects of the pandemic and community and government responses to it led to movements of unprecedented size in the economic statistics aggregates of the June quarter 2020.

Labour market

Hours worked fell 9.8%, with April and May seeing many people having their hours reduced or being stood down. There was a smaller fall in compensation of employees (-2.5%) as the JobKeeper program delivered \$31.0 billion in payments to eligible businesses.

Employment fell 5.4%, between March and June. April and May saw large numbers of people leaving the labour force (around 900,000 between March and April and over 700,000 between April and May in original terms). Between March and June, the industries with the highest proportion of payroll job losses were: Accommodation and food services (20.3%) and Arts and recreation services (18.6%). These two industries also had sharp decreases in job vacancies (65.9% and 95.2%).

Government

Government subsidies such as JobKeeper and Boosting Cash Flow for Employers increased Other subsidies on production to a record level of \$52.0 billion. Social assistance benefits in cash increased \$14.4 billion, reflecting additional COVID-19 support payments. As a result of increased support, General Government net saving was -\$82.6 billion, the largest negative

outcome on record.²

Commonwealth Government tax revenue fell 7.5% (\$9.6 billion) through the year, mainly from falls in company income tax (\$5.6 billion) and personal income tax (\$1.4 billion). State and local government taxation revenue fell 10.9% (\$2.8 billion) through the year, mainly from falls in payroll taxes (\$1.7 billion) and taxes on the provision of goods and services including reductions in stamp duty on conveyancing and gambling taxes (\$1.3 billion).³

Household income

Household income (gross disposable income) rose 2.2% (\$7.1 billion, in current price terms) during the June quarter, mainly from investment income, earnings from unincorporated businesses and social assistance benefits. The JobKeeper and Boosting Cash Flow for Employers programs contributed to the rise in unincorporated business earnings.

Household spending

Household spending fell by a record 12.1% in the June quarter, in volume, seasonally adjusted terms, resulting in a current price fall of \$1.2 billion in Goods and Services Tax (GST). The consumption of services fell by the greatest amount (17.6%).⁴

In volume terms, Household spending fell in all but six categories (including Alcoholic beverages and Furnishings and household equipment). The greatest falls in household spending were in Transport services (85.9%) as restrictions on day to day mobility and holiday travel led to falls across all modes of passenger transport, most notably in air transport; and Hotels, cafes and restaurants (56.1%) as businesses were closed or customer numbers restricted. As people worked and schooled from home expenditure on electricity, gas and other fuels rose by 4.8%.

Consumer prices

The Consumer Price Index (CPI) fell 1.9%, which was the largest fall in the 72-year history of the CPI. The fall was mainly the result of the Early Childhood Education and Care Relief Package, which provided fee-free child care for households. There were also significant falls in: the price of automotive fuel (-19.3%); and pre-school and primary education prices (-16.2%). Lockdown conditions resulted in weaker rental market conditions and rents recorded the first quarterly fall since the series began in 1972.

Household saving to income ratio

Quarter on quarter, the combination of a rise in household income (\$7.1 billion) and a fall in household spending (\$35.2 billion) resulted in household net saving rising \$42 billion to \$59.5 billion, in current price, seasonally adjusted terms. The household saving to income

ratio rose to 19.8%, its highest level since June 1974.

Household borrowing

COVID-19 restrictions and uncertainty drove a sharp decline in housing market activity that led to large falls in the value of new housing loan commitments in April and May, with the May fall (11.6%) being the largest in the history of the series. June saw some recovery with a rise of 6.2% in housing loan commitments.

Businesses

The June quarter saw the largest fall in seasonally adjusted retail volumes since the introduction of the GST in the September quarter 2000. Online sales peaked as a percentage of total sales in April (11.1%), and although a reduction followed, the percentage of online sales remained above pre-pandemic levels at 9.7% in June.

International travel, trade and investment

Both imports and exports of travel services were severely impacted by travel restrictions, as short-term visitor arrivals dropped by close to 100% quarter-on-quarter and Australian international travel restrictions led to a 99% fall in travel service imports.

The June quarter saw the 10th consecutive surplus in the balance on goods and services (the trade surplus) supporting a fifth successive current account surplus. Despite the trade surplus, the level of imports and exports fell strongly as the result of COVID-19 impacts.

Australia's net International Investment Position (IIP) increased in the June quarter 2020, with the current account surplus and valuation effects in the quarter reducing the magnitude of Australia's net liability position with the rest of the world.

The IIP to Gross Domestic Product (GDP) ratio decreased to a 30-year low of 42% in the March quarter with an uptick to 45% in the June quarter, the second lowest figure over the same 30-year period.⁵ This was driven by the falling net Foreign Equity to GDP ratio as the net Foreign Debt to GDP ratio remained roughly steady.⁶

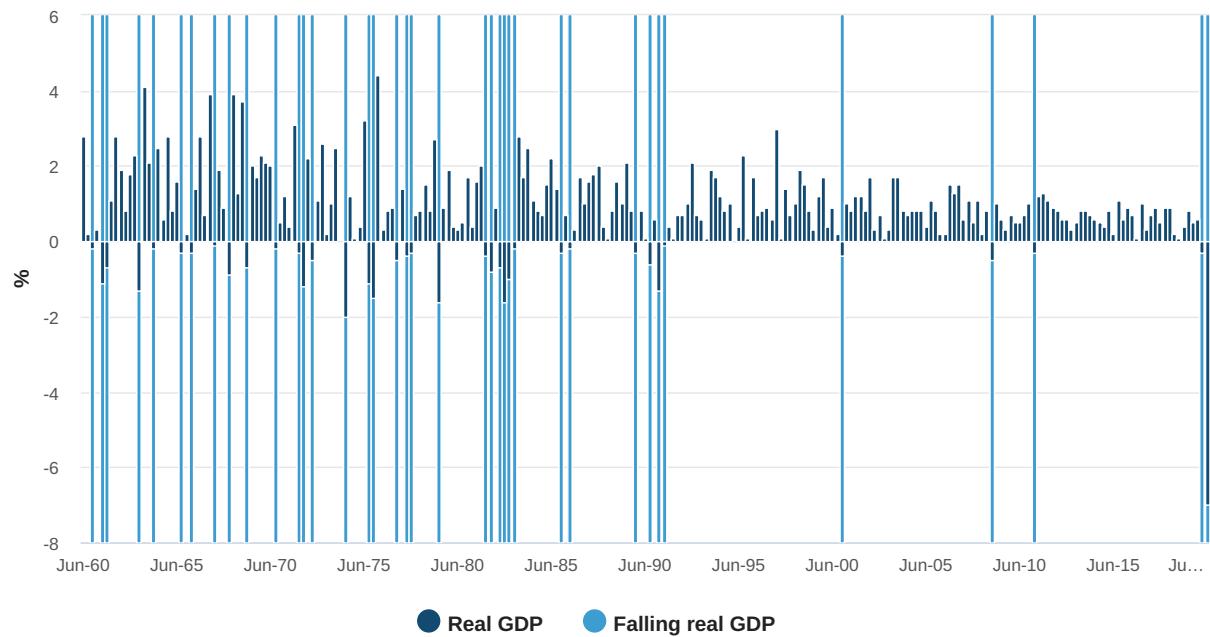
Gross Domestic Product

As a result of the outcomes noted above, GDP fell 7.0% quarter on quarter. This was, by a wide margin, the largest fall in quarterly GDP since records began in 1959 (Figure 3). As shown in Figure 4 there were only three positive contributions to growth: General Government consumption, public investment and net exports.

Gross value added fell 6.5% in the quarter with falls in 15 of the 19 industries. Record falls were observed in hospitality and tourism related industries due to COVID-19 restrictions.

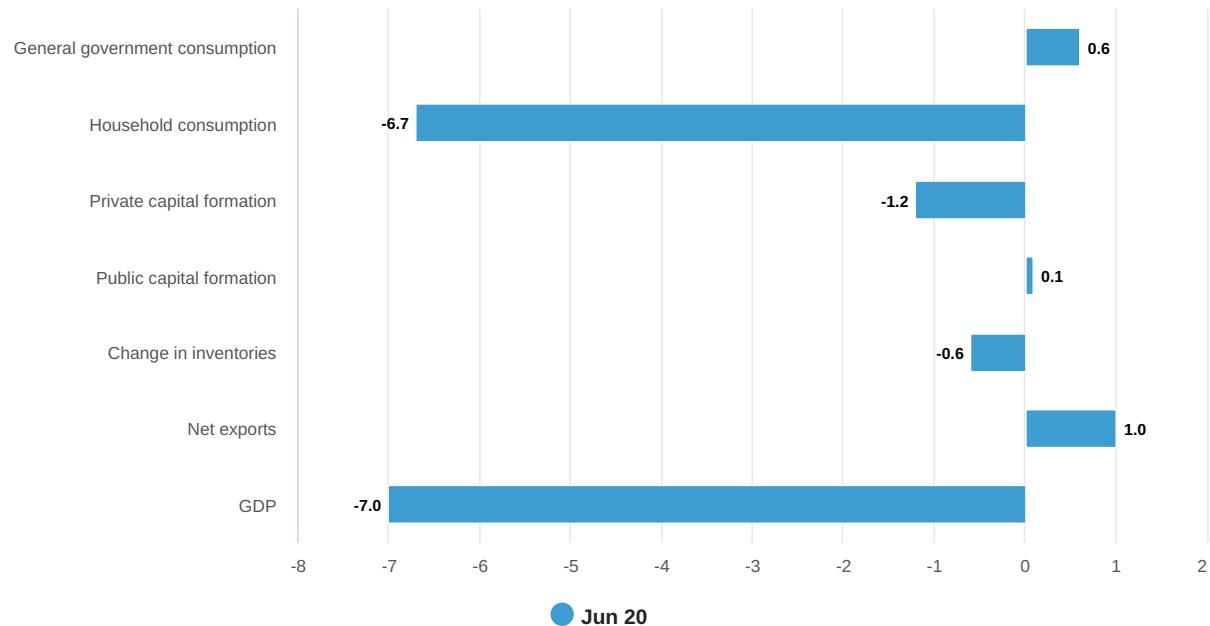
Section 5.1 provides more industry-level detail.

Figure 3: Quarterly growth in Gross Domestic Product, seasonally adjusted chain volume measures



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Economic downturn in an historical context

Figure 4: Contribution to Gross Domestic Product growth, June quarter 2020, seasonally adjusted



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020

A selection of the economic statistics of the June quarter are discussed in further detail in the remaining sections of this article.

The labour market

2.1 Employment and hours worked fell across the quarter

Throughout April, May and early June, business restrictions to slow the spread of COVID-19, social distancing and government support packages had a profound impact on the labour market.

April saw the widespread reduction of hours worked and employees stood down. Changes to schooling arrangements may have also reduced people's availability for work, or ability to look for work.

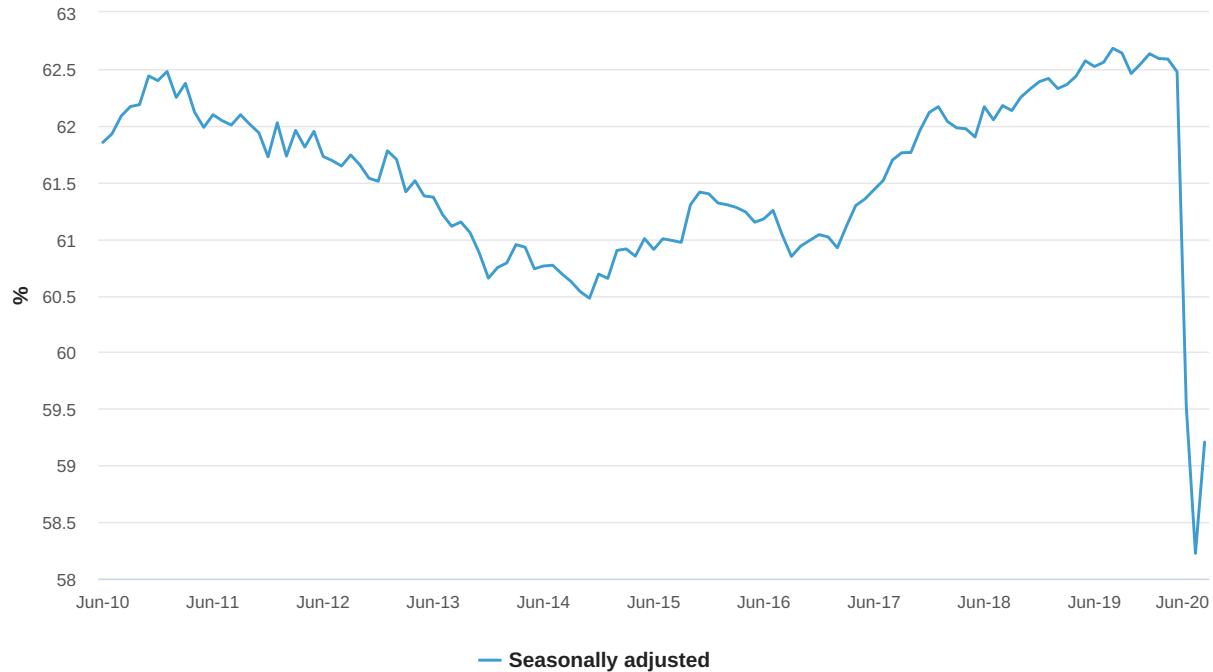
By June, some of the social distancing and business restrictions were progressively relaxed or lifted.

The introduction of the JobKeeper wage subsidy and changes to the JobSeeker program, including mutual obligations for payment recipients, also contributed to changes in the labour market. Consistent with internationally agreed definitions, people with jobs who were paid through the JobKeeper wage subsidy continued to be classified as employed. For people in receipt of the JobSeeker payment, their labour force status throughout the COVID-19 period depended on their labour market activity.⁷

Between March and April, seasonally adjusted employment fell by 607,000 people. It fell again by 264,000 people between April and May, and then rose by 228,000 people between May and June.

These changes in employment were visible in the employment to population ratio: the proportion of the population (aged 15 years and over) who are employed. The ratio decreased by 3.0 and 1.3 percentage points in April and May, before increasing by 1.1 percentage points in June to 59.3%.

Figure 5: Employment to population ratio, people, June 2010 to June 2020

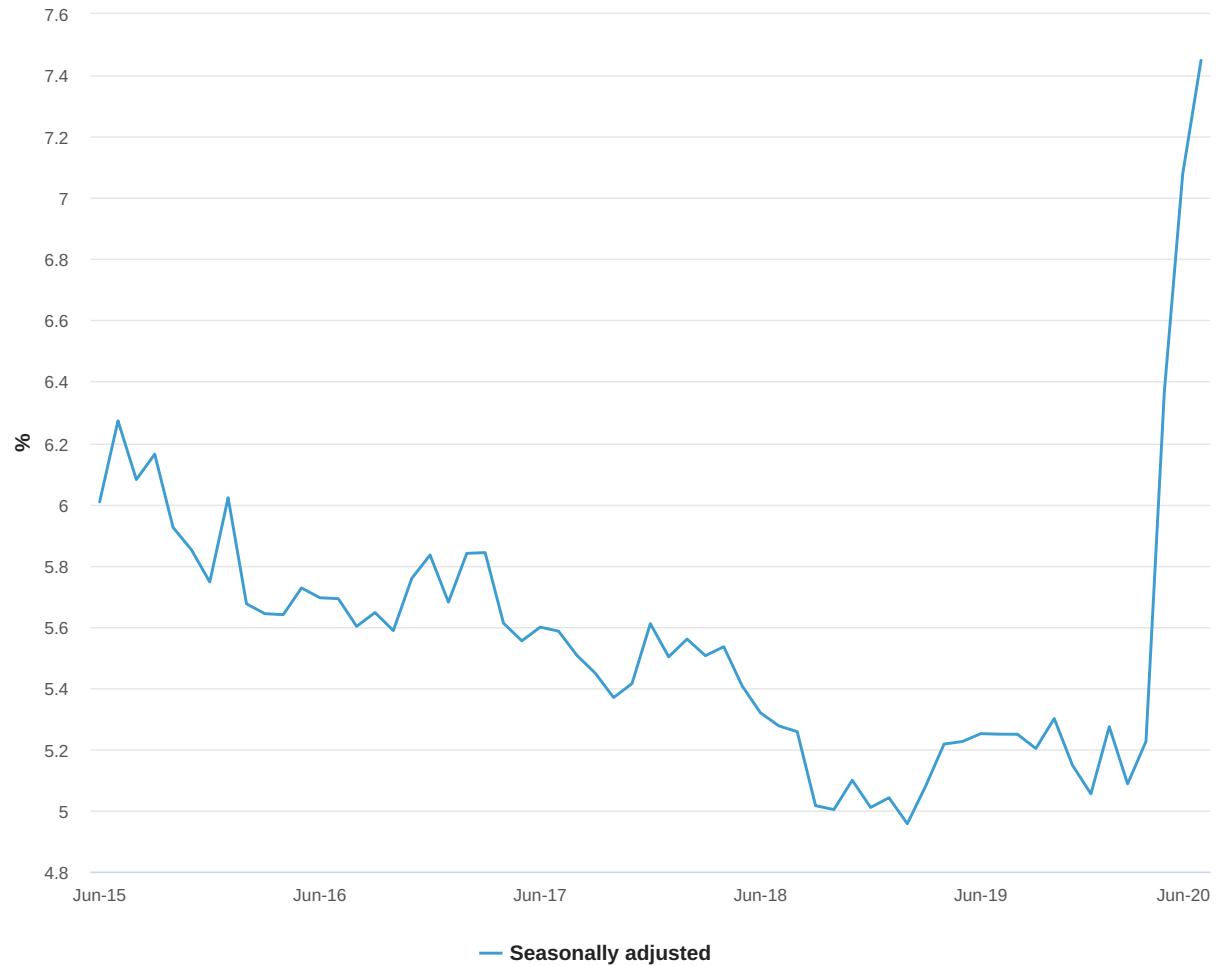


Source: 6202.0 - Labour Force, Australia, Table 1

The large drops in employment in April and May did not translate into similar-sized increases in the number of unemployed people because around 482,000 people left the labour force between March and April, and 183,000 between April and May.

Figure 6 tracks unemployment as it rose from 5.2% in March, to 6.4% in April, 7.1 % in May and 7.4 % in June.

Figure 6: Unemployment rate



Source: 6202.0 - Labour Force, Australia, Table 1

There were also large changes in hours worked, the participation rate, the underemployment rate and the underutilisation rate.

Hours worked fell by an unprecedented 9.8% between the March and June quarters. The number of secondary jobs decreased by 19.6%. The fall in Compensation of employees (-2.5%), although a record fall, was less pronounced due to the JobKeeper program. \$31.0

billion in payments were made via the JobKeeper program this quarter, an amount that exceeds the cumulative sum of all previous employment subsidies.

The large numbers of people leaving the labour force resulted in the participation rate falling to 63.6% in April, and 62.7% in May, the first time the participation rate was below 63% since January 2001.

In original terms, around 2.7 million people between March and April, and around 2.3 million people between April and May - around 1 in 5 employed people - were affected by either job loss or working fewer hours than usual for economic reasons. There were also a large number of people who worked fewer hours than usual for 'non-economic' reasons, such as sickness or caring, taking paid or unpaid leave, or personal/other reasons. This may, or may not, have been voluntary, for example if they took or were asked to take leave rather than be stood down, took leave to look after children, or were sick (or self-isolating).

2.2 Jobs and vacancies fell while average wages rose

The falls in employment and hours worked in the June quarter revealed in Labour Force Surveys were consistent with the fall in payroll jobs for employers reporting through the Single Touch Payroll system published in Weekly Payroll Jobs and Wages in Australia. By the end of June payroll jobs recovered to 95.6% of their level at 14 March, and wages to 96.9%.

Figure 7: Changes in payroll jobs and total wages indexed to the week ending 14 March 2020 (a)

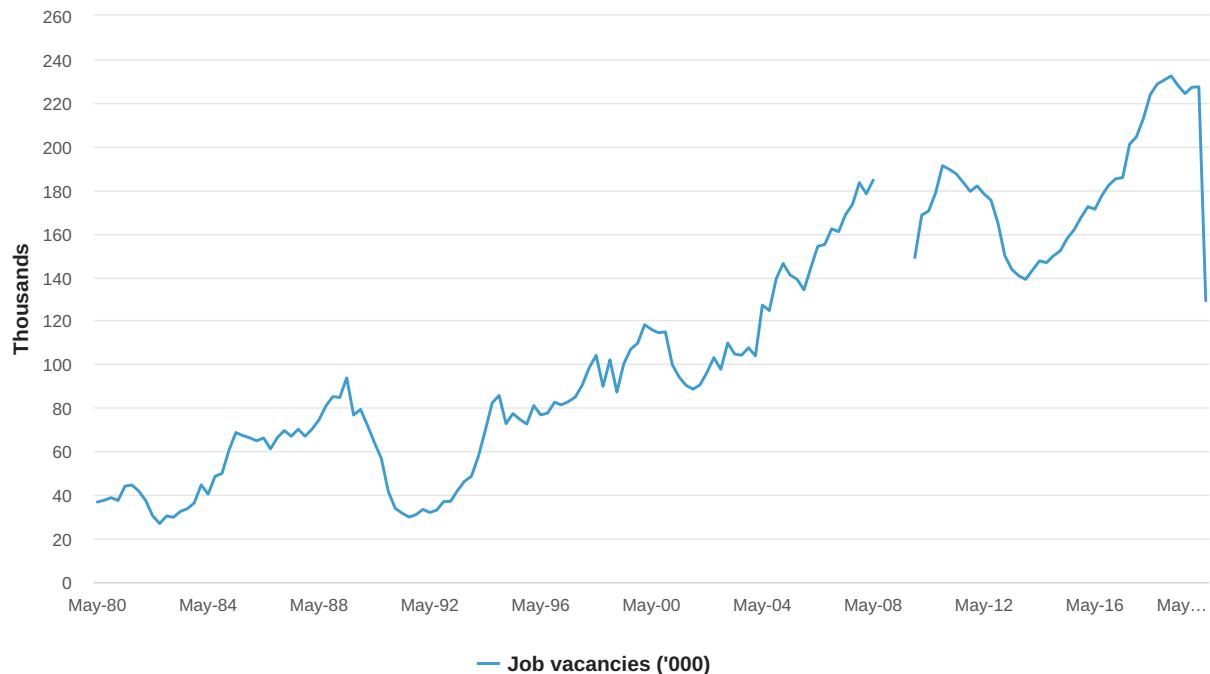


Source: 6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 8 August 2020 (published 25 August 2020)

(a) Wages data are more sensitive to period-to-period changes in reporting than jobs data and are therefore subject to greater revisions over time. They are also subject to a greater degree of seasonality, including the potential impacts of end of financial year reporting. Please refer to the Explanatory Notes in the publication for further information.

Job vacancies decreased 43.2%, or by 98,200 vacancies, in the three months to May 2020 (seasonally adjusted). A fall of this scale was unprecedented in the history of the Job Vacancy Survey. The largest single quarterly decline in the 1980s recession was 18.6% (in May 1982) with a decline of 26.7% in the 1990s recession (in November 1990, see Figure 8).

Figure 8: Job vacancies Australia, seasonally adjusted



Source: Job Vacancies, Australia (cat. no. 6354.0)

Private sector vacancies fell by 45.0% (in seasonally adjusted terms), compared to a 28.9% fall in the public sector. Over a quarter of public sector job vacancies in May 2020 were in the Health care and social assistance industry.

Services industries exposed to COVID-19 social distancing restrictions showed corresponding large decreases in job vacancies. Arts and recreation services recorded a 95.2% drop in vacancies (in original terms), reflecting the closures of venues such as casinos, theatres, fitness centres, sporting grounds and zoos, and cancellations of events due to social distancing requirements. The next greatest decreases in job vacancies were in Rental, hiring and real estate (67.9%) and Accommodation and food services (65.9%).

Electricity, gas, water and waste services saw the smallest percentage decrease in job vacancies in the May quarter, partly reflecting increased demand for waste collection, disposal, and associated cleaning services.

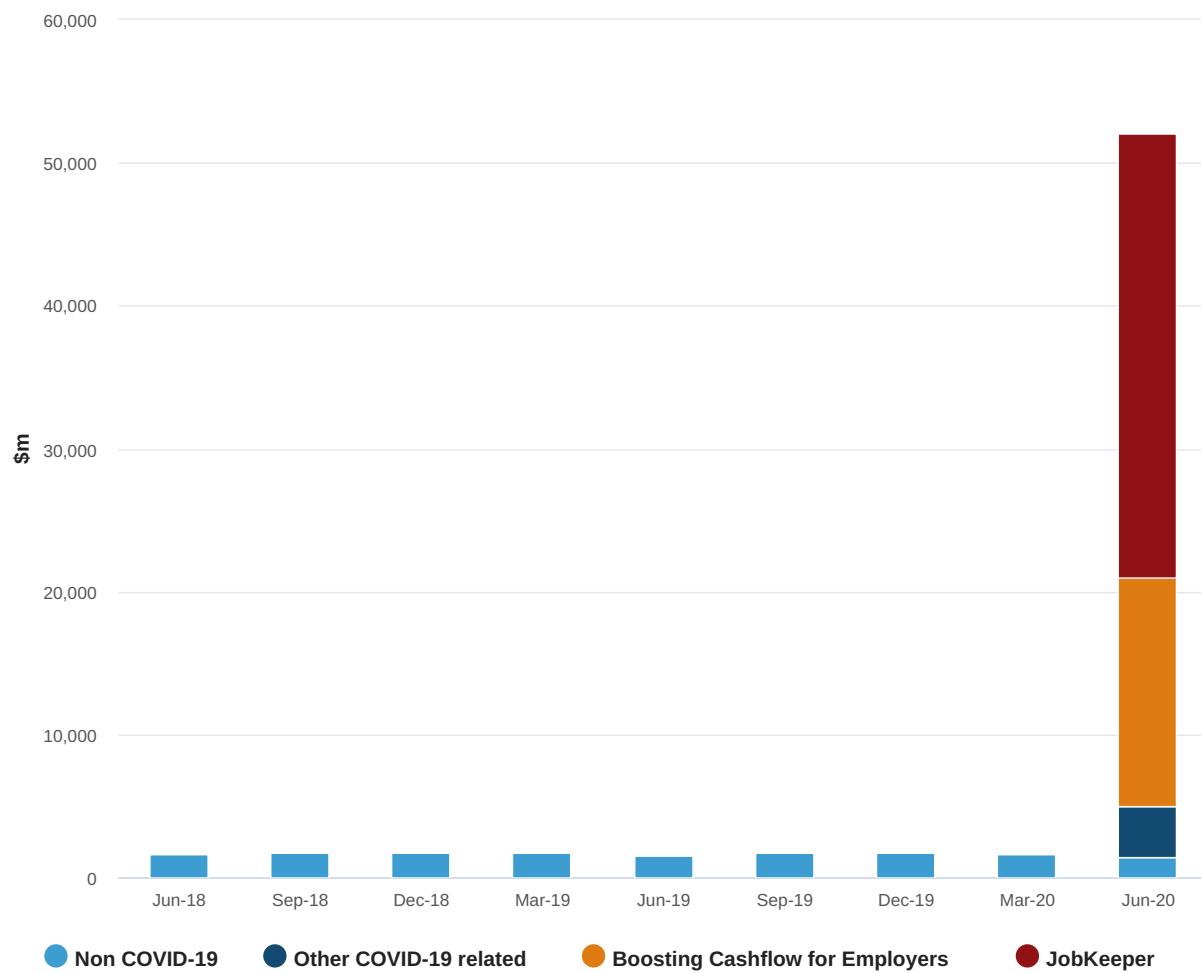
Government

3.1 Government support for households and business rose to record levels

As described earlier, the Commonwealth Government's economic response to the COVID-19 pandemic included the introduction of JobKeeper and the Boosting Cash Flow for Employers policy. These payments are classified as 'Other subsidies on production' (for further information on the classification of these policies, see [Economic measurement during COVID-19: Selected issues in the Economic Accounts \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/5261.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/5261.0)).

Total subsidies on production rose to record levels, reaching \$55.5 billion in the June quarter.⁸ JobKeeper payments accounted for \$31.0 billion and Boosting Cash Flow for Employers contributed \$16.0 billion. Other COVID-19 related subsidies, including those made by state governments, added an additional \$3.6 billion. JobKeeper and Boosting Cash Flow for Employers are the largest and second largest subsidies ever recorded in the National Accounts.

Figure 9: Government support for business in response to COVID-19



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Government support for business

Taxation revenue decreased for all levels of government, reflecting a combination of the adverse effect of the pandemic on businesses and households, and the policy responses of governments that reduced households' and corporations' tax obligations. More information is included in the [Classifying COVID-19 policy interventions in macroeconomic statistics](https://statistics.abs.gov.au/abs/statistics/economy/government-government-finance-statistics-australia/jun-quarter-2020/classifying-covid-19-policy-interventions-in-macroeconomic-statistics)

[2020#spotlight-classifying-covid-19-policy-interventions-in-macroeconomic-statistics](#)) article.⁹

Through the year to June quarter 2020, Commonwealth Government taxes fell 7.5% (\$9.6 billion). The key contributors were:

- a 19.5% (\$5.6 billion) fall in company income tax as a result of the adverse effect of the COVID-19 pandemic on businesses. The largest falls were in the tourism, banking, superannuation and insurance sectors; and
- a 2.2% (\$1.4 billion) fall in personal income tax reflecting a fall in hours worked across the economy and weakness in capital gains taxes associated with subdued property and financial market conditions.

State and local governments implemented a range of COVID-19 tax relief policies, including:

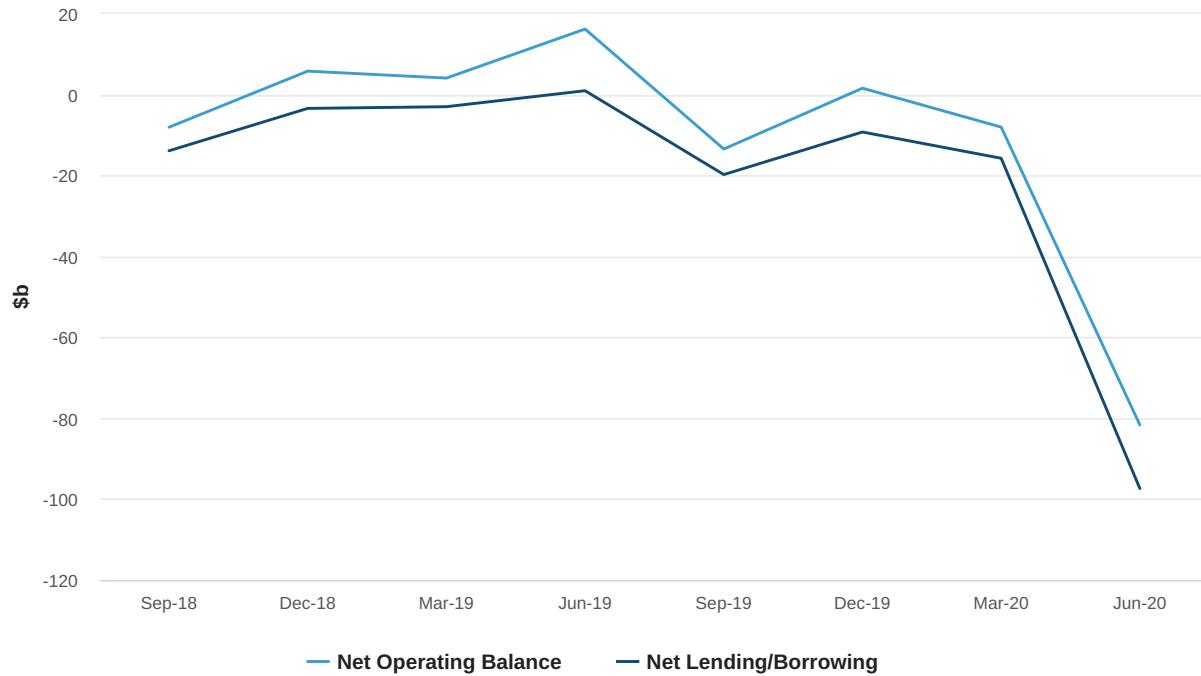
- [payroll tax relief \(/statistics/economy/business-indicators/economic-measurement-during-covid-19-selected-issues-economic-accounts/may-2020#classifying-payroll-tax-changes-in-victoria\)](#) that either waived, refunded, deferred or reduced payroll tax obligations for businesses; and
- land tax relief for landlords where tenants had their rent waived or deferred.

State and local government taxation revenue fell 10.9% (\$2.8 billion) through the year to June quarter 2020. The key contributors were:

- a 27.3% (\$1.7 billion) fall in payroll taxes across all state and local governments, reflecting tax relief and payroll refund policies; and
- a 16.0% (\$1.3 billion) fall in taxes on the provision of goods and services associated with reductions in stamp duty on conveyances and gambling taxes.

The government response to the pandemic also resulted in significant falls in its net operating balance and the net lending/borrowing position.

Figure 10: All levels of General Government, net operating balance, net lending/borrowing



Source: 5519.0.55.001 - Government Finance Statistics, Australia, Jun 2020

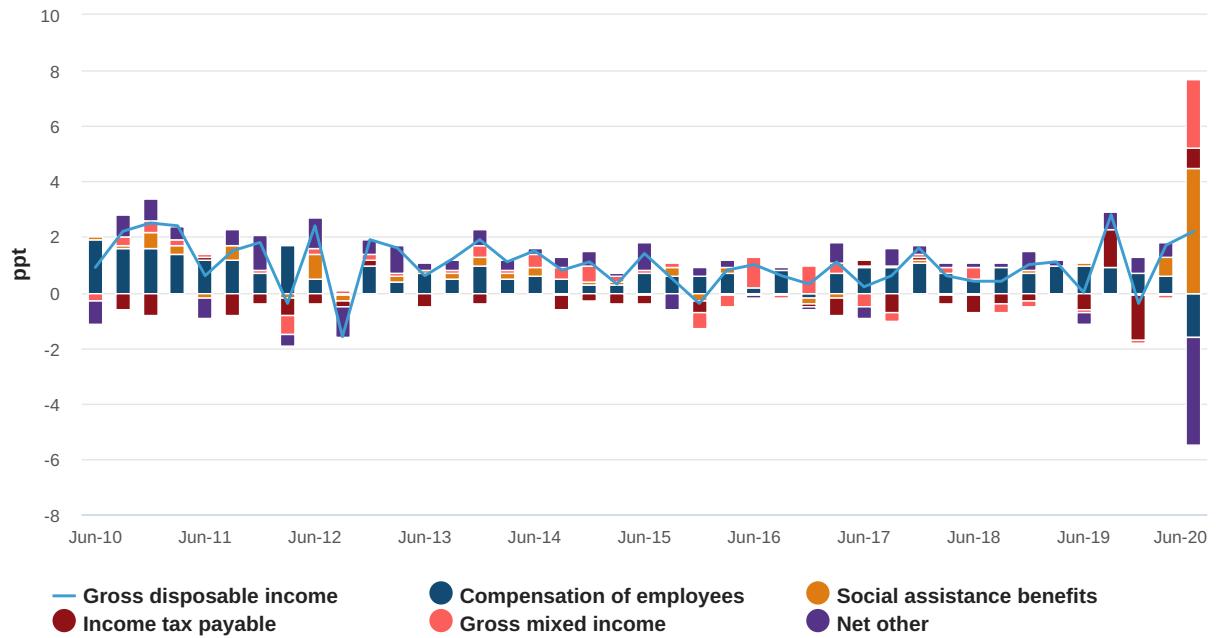
Households

4.1 Household income rose with increases in social benefits

The June quarter saw household income increasing by 2.2% (measured as gross disposable income). This rise was the result of increased non-labour income (investment income, earnings from unincorporated business and social assistance benefits). Investment income (measured as property income) fell 25.7% (\$11.9 billion) from reduced dividend payments, as businesses deferred or reduced dividend payments and reduced imputed interest returns on superannuation.

The increase in social assistance recipients and additional COVID-19 support payments, including the additional COVID-19 supplement (\$550 payment) and the initial Economic support payment (one off \$750 payment) saw social assistance benefits increase 41.6%.

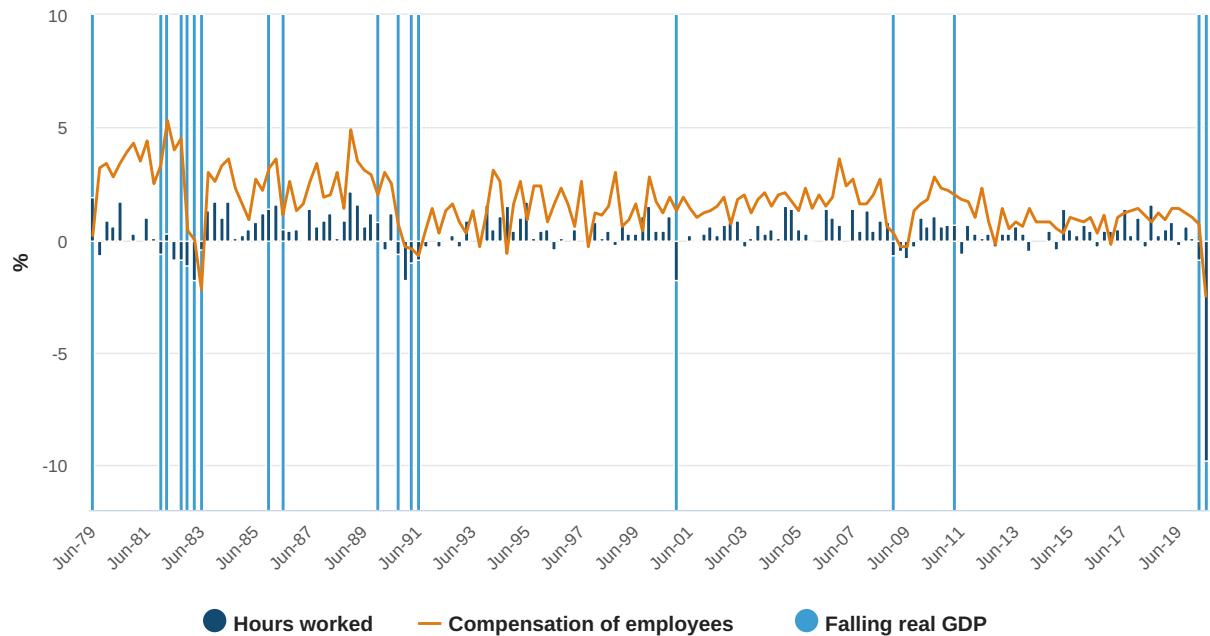
Figure 11: Household gross disposable income, contribution to growth, quarterly, current prices: seasonally adjusted



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020

While the fall in hours worked (9.8%) was unprecedented, the fall in Compensation of employees (-2.5%), although a record, was less pronounced due to the JobKeeper program. In the June quarter, \$31.0 billion in payments were made via JobKeeper, an amount exceeding the cumulative sum of all previous employment subsidies.

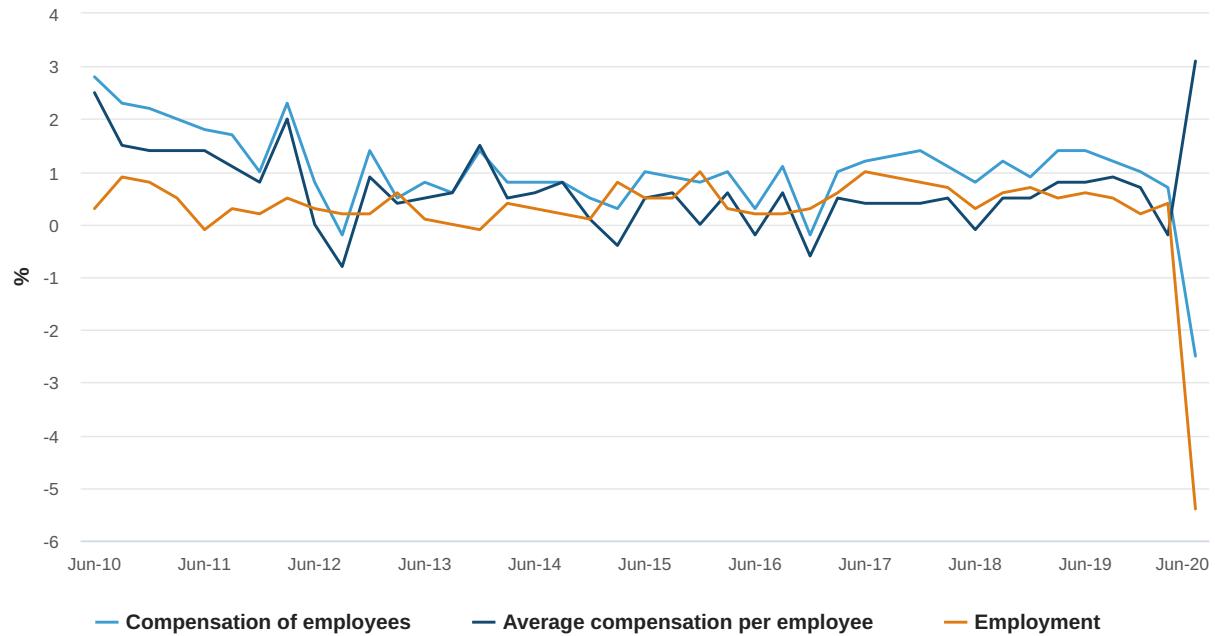
Figure 12: National Accounts hours worked and compensation of employees, seasonally adjusted



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Economic downturn in an historical context

In contrast to the fall in compensation of employees, average compensation of employees increased as the mix of jobs changed in the economy.

Figure 13: Growth in compensation of employees and employment, current prices: seasonally adjusted

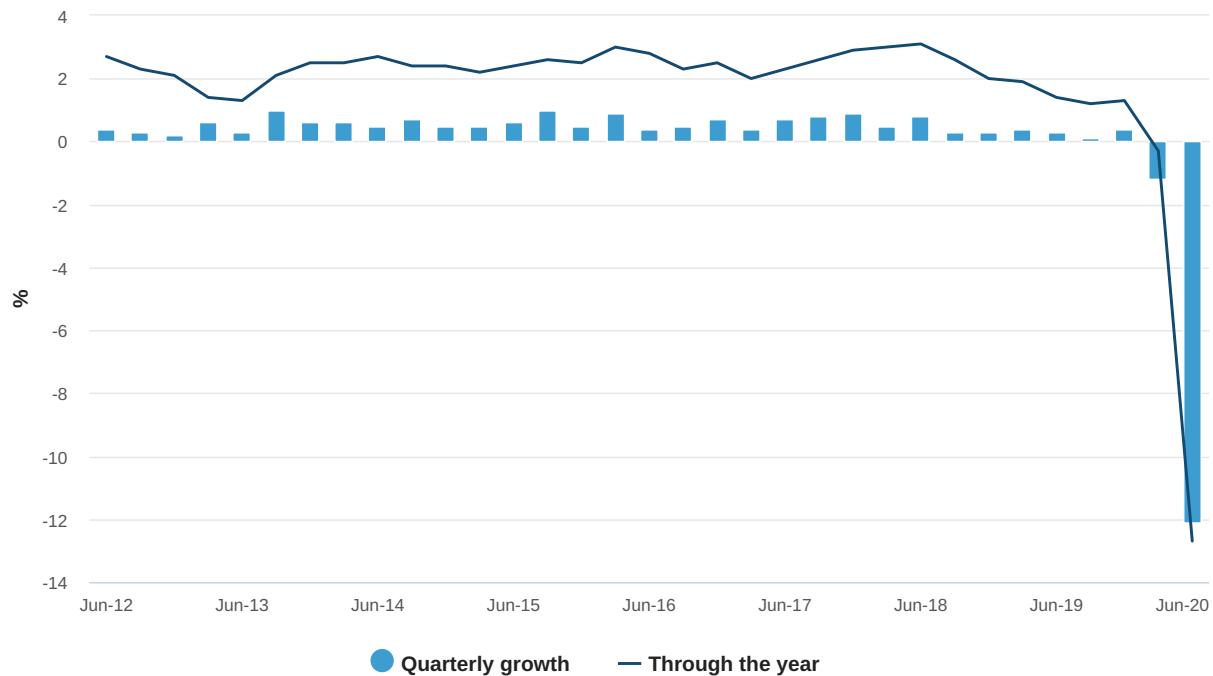


Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020

4.2 Household spending decreased

Household spending decreased 12.1% in the June quarter and 2.6% in the 2019-20 financial year. This was the largest quarterly fall in household spending, and the first annual fall, recorded in the National Accounts.

Figure 14: Household spending, volume measures, seasonally adjusted

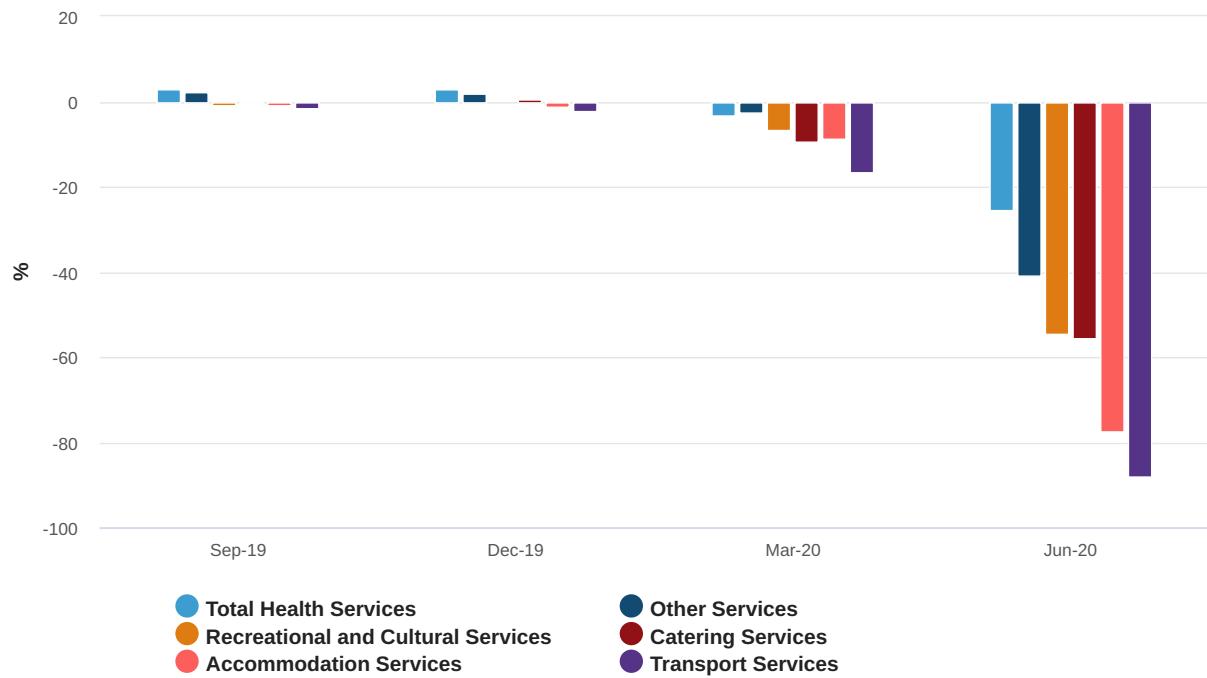


Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Insights into household consumption

In the June quarter more people worked from home, and leisure activities were also increasingly home-based, resulting in marked changes to household spending across services and goods categories.

Services saw the largest fall in household spending (17.6%), with the consumption of goods declining 2.8%.

Figure 15: Individual services consumption through the year, volume measures, original



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Insights into household consumption

Government policies around the delivery of healthcare and social assistance services also impacted household spending during the June quarter. Many jurisdictions temporarily halted elective surgery to ensure public health capacity and to limit households' physical contact with health services. Household spending on health services decreased by 25.6% through the year.

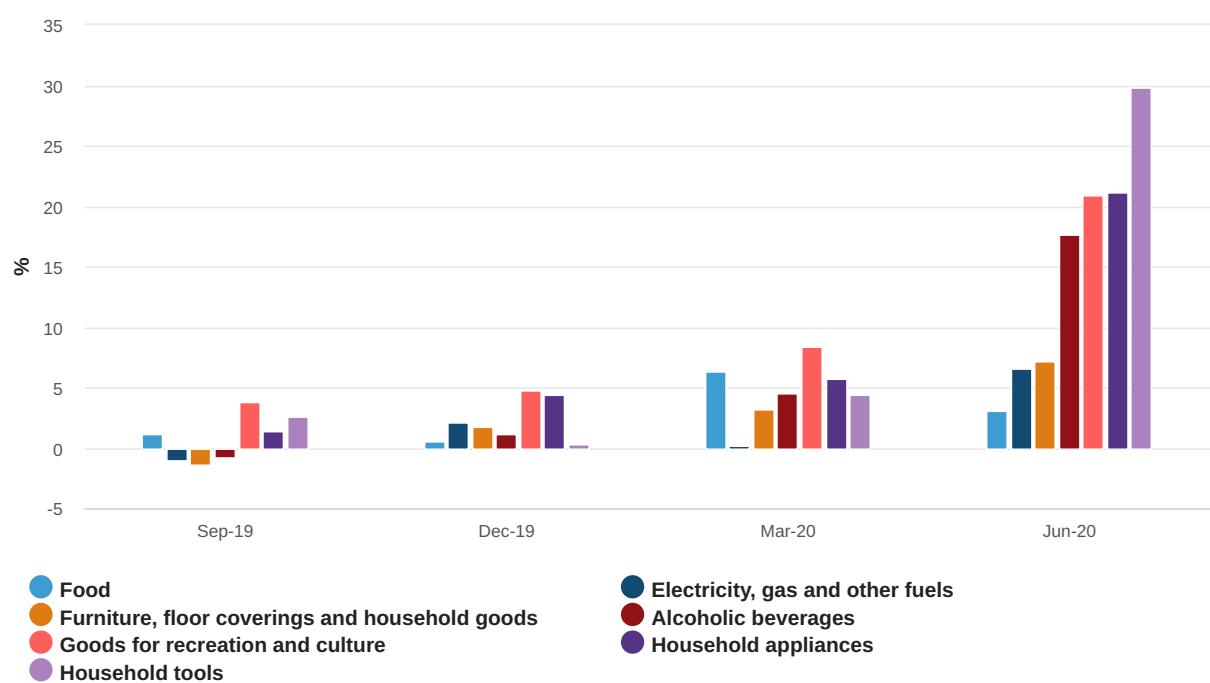
The Early Childhood Education and Care Relief Package, which provided fee-free child care for households, resulted in a 40.8% fall in Other Services through the year. This policy led to a notable reduction in out of pocket expenditure by households, as government purchased child care services on behalf of households.

As households changed their consumption behaviour in response to the COVID-19 restrictions, there was increased spending on: home improvement projects, garden activity and home offices, which drove large increases in household spending on tools (29.8%) and

appliances (21.1%). In addition:

- increased leisure time at home resulted in a 20.9% higher spend on goods for recreation and culture such as audio-visual and exercise equipment;
- electricity, gas and other fuels spending rose (6.6%) due to working and schooling from home arrangements;
- spending on food rose (3.1% through the year), as trading regulations on hospitality services led to increased meal preparation at home. Household stockpiling of food subsided in the June quarter; and
- consumption of alcoholic beverages from off licensed premises increased (17.6%) in response to the trading restrictions placed on services provided by pubs, bars and clubs over the quarter.

Figure 16: Goods consumption through the year, volume measures: original



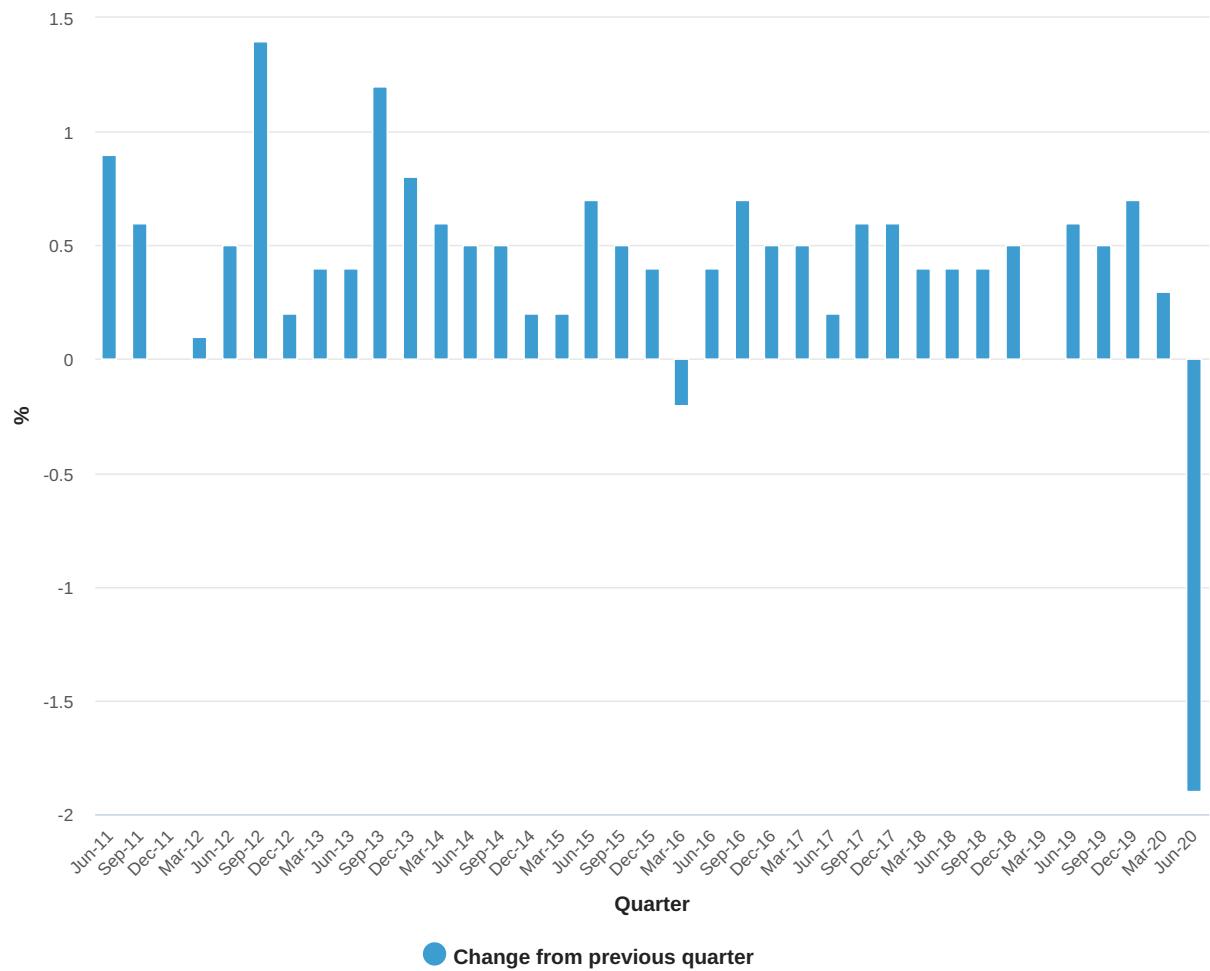
Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 - Insights into household consumption

4.3 Households also benefitted from falling prices

Households experienced significant price changes during the June quarter 2020. Overall, the Consumer Price Index (CPI) fell 1.9%, the largest quarterly fall in the 72-year history of the CPI.

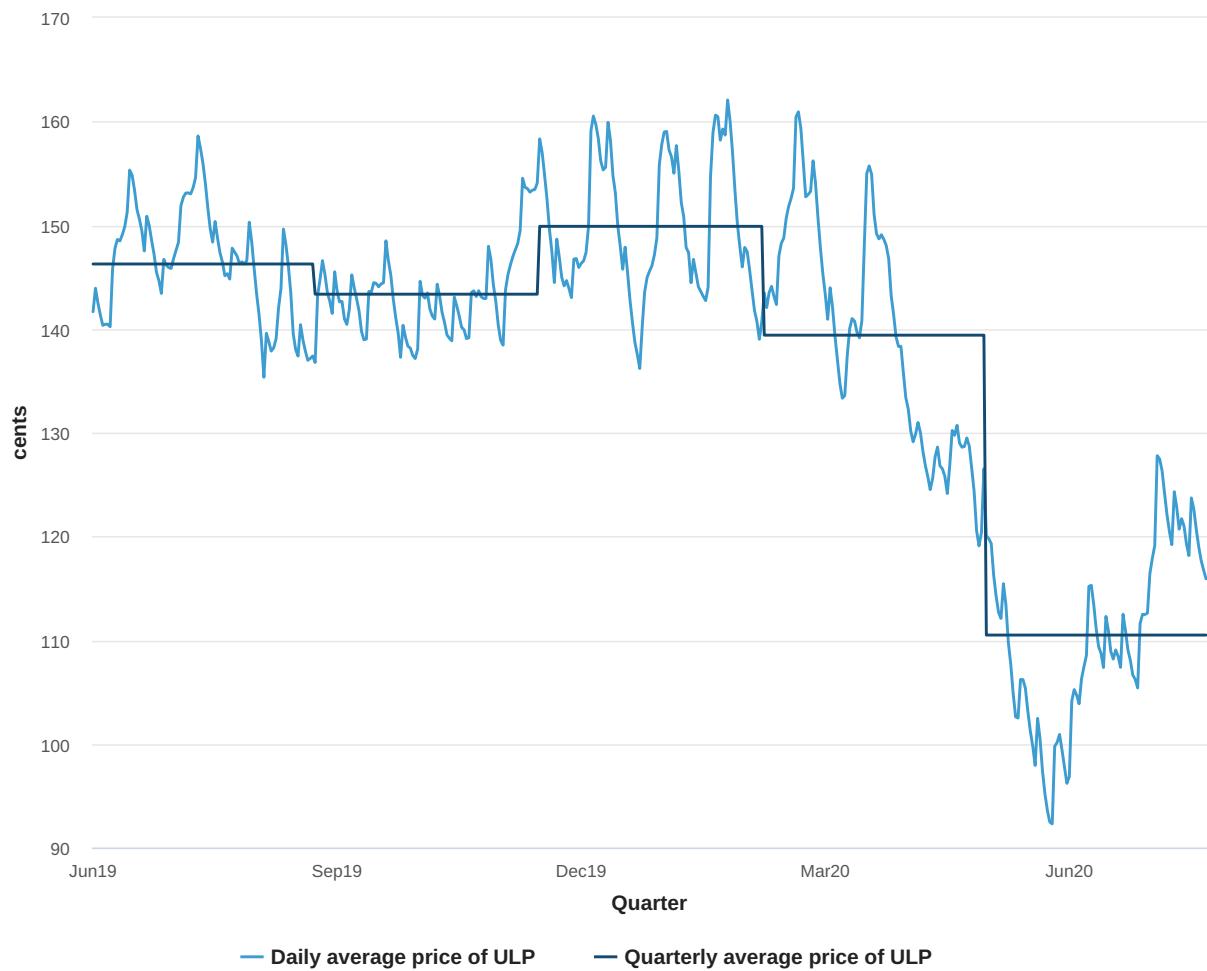
This fall was mainly the result of the Early Childhood Education and Care Relief Package, which resulted in fee-free child care for households for most of the quarter. This resulted in an unprecedented fall in Childcare prices (-95.0%). There was also a significant fall in the price of automotive fuel (-19.3%) and a fall in pre-school and primary education prices (-16.2%), with free pre-school being provided in NSW, Victoria and Queensland. Removing these temporary effects, the CPI would have risen 0.1% in the June quarter.

Figure 17: All groups CPI, quarterly change



Source: 6401.0 - Consumer Price Index, Australia, June 2020

Figure 18: Average price of unleaded petrol (91 Octane), cents per litre



Source: 6401.0 - Consumer Price Index, Australia, June 2020

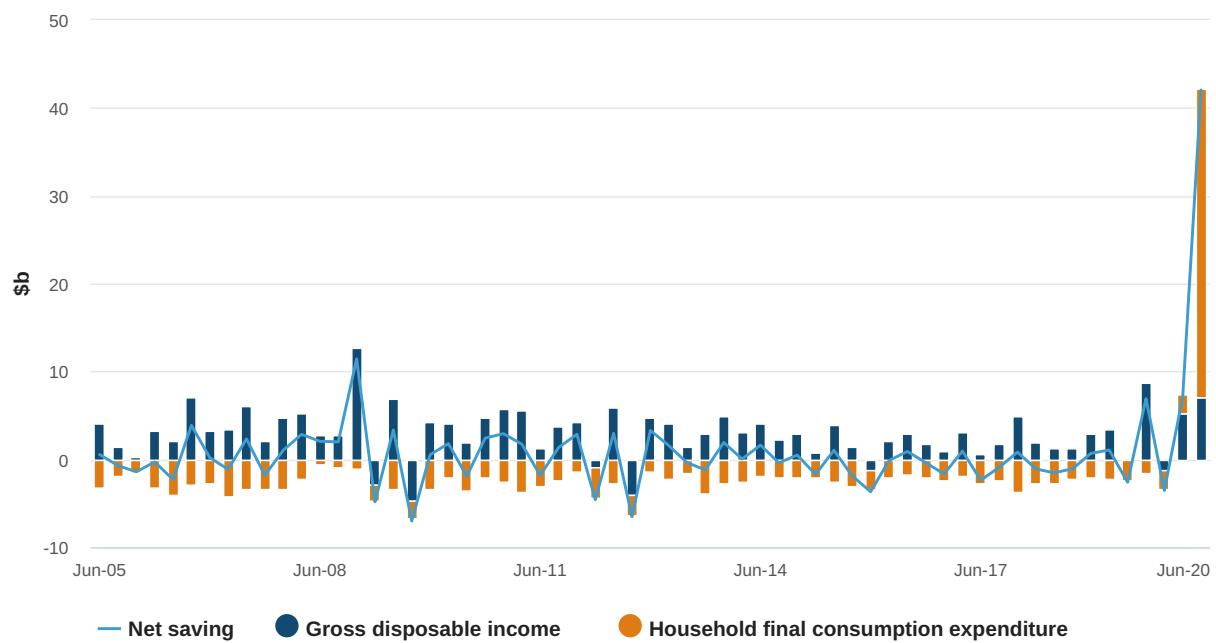
Rents recorded the first quarterly fall since the series commenced in 1972 (down 1.3%). Fewer international visitors, coupled with COVID-19 lockdown restrictions resulted in further weakness in rental market conditions, which had already been responding to an increase in supply. In combination these factors led to rising vacancy rates and rents falling in most capitals.

A fall in electricity prices (down 2.5%) was driven by utility rebates in some capital cities to support households through the impacts of COVID-19.

4.4 Household saving rose while dwelling investment fell

Household net saving rose \$42.0b to \$59.5b in the June quarter National Accounts. The record fall in household spending, coupled with government support payments to households, drove a rise in the household saving to income ratio to 19.8%, the highest since June 1974.

Figure 19: Household net saving components, contribution to saving, quarterly, current prices: seasonally adjusted



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 – Household income experience

4.5 Household borrowing fell then partially bounced back

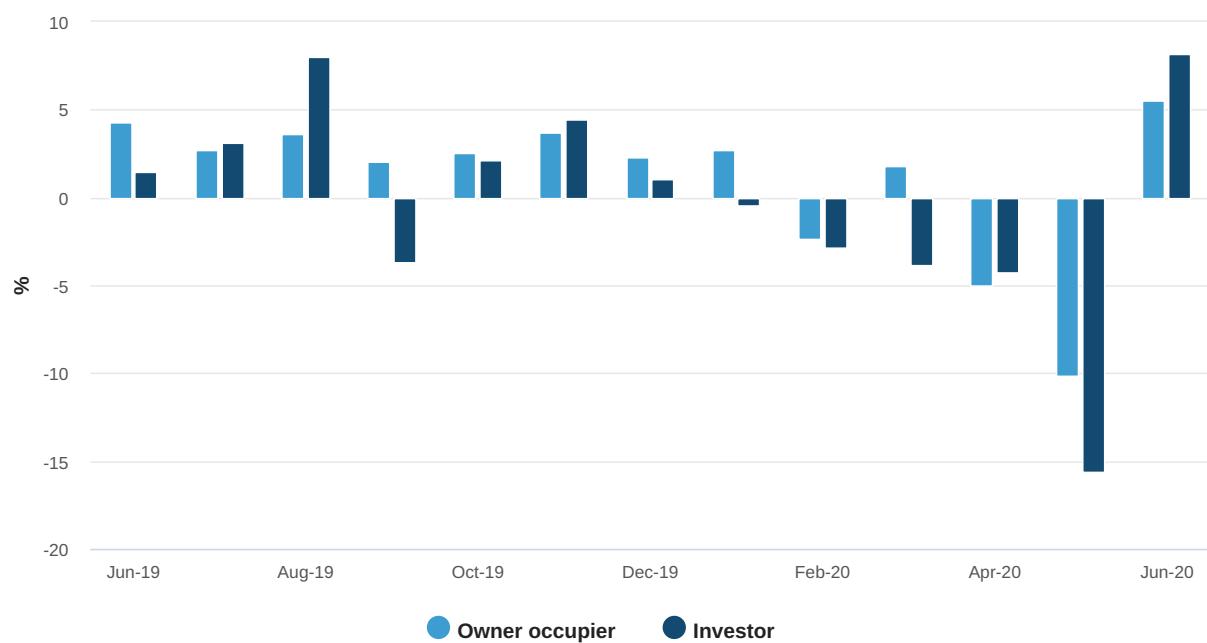
In March, regulations to encourage social distancing meant many businesses could no longer trade as normal, and mass public gatherings such as open houses or auctions were restricted. These restrictions, in combination with the broader economic uncertainty caused

by COVID-19, drove a sharp decline in housing market activity with large falls in the value of new housing loan commitments in April and May. The 11.6% seasonally adjusted fall in May was the largest in the history of the series.

Some of these restrictions temporarily eased in May, though the extent and timing of the easing varied by state and territory. June saw a general rise in housing loan commitments, up 6.2%, seasonally adjusted. Despite the rebound in lending activity, the value of housing loan commitments in June was down over 10% compared to the recent peak in January.

The value of new loan commitments for investors was particularly weak, with falls of 4.2% in April and 15.6% in May leaving the series at a historically low level. A bounce back in June of 8.1% only partially moderated this weakness.

Figure 20: New loan commitments for housing by purpose (seasonally adjusted), monthly growth in value, Australia

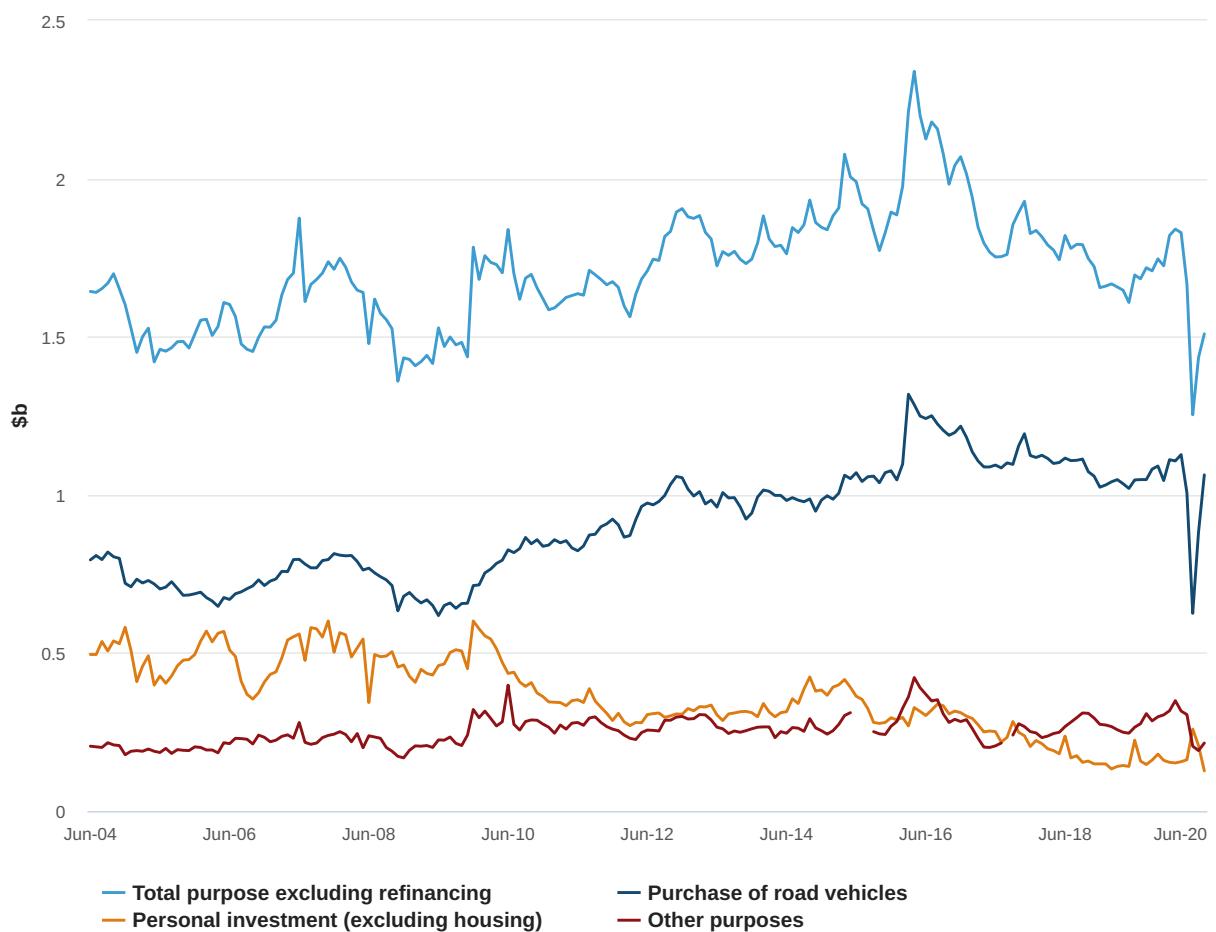


Source: 5601.0 - Lending Indicators, Jun 2020

The value of new loan commitments for fixed term personal finance rose 5.2% in June. Easing restrictions and the end of the financial year were also likely reasons for the strong

rise in personal loan commitments for road vehicles in June (20.4%, seasonally adjusted). However, commitments for road vehicles and total fixed loan commitments for personal finance remained below the pre-COVID level.

Figure 21: New loan commitments, personal fixed term loans (seasonally adjusted), values, Australia



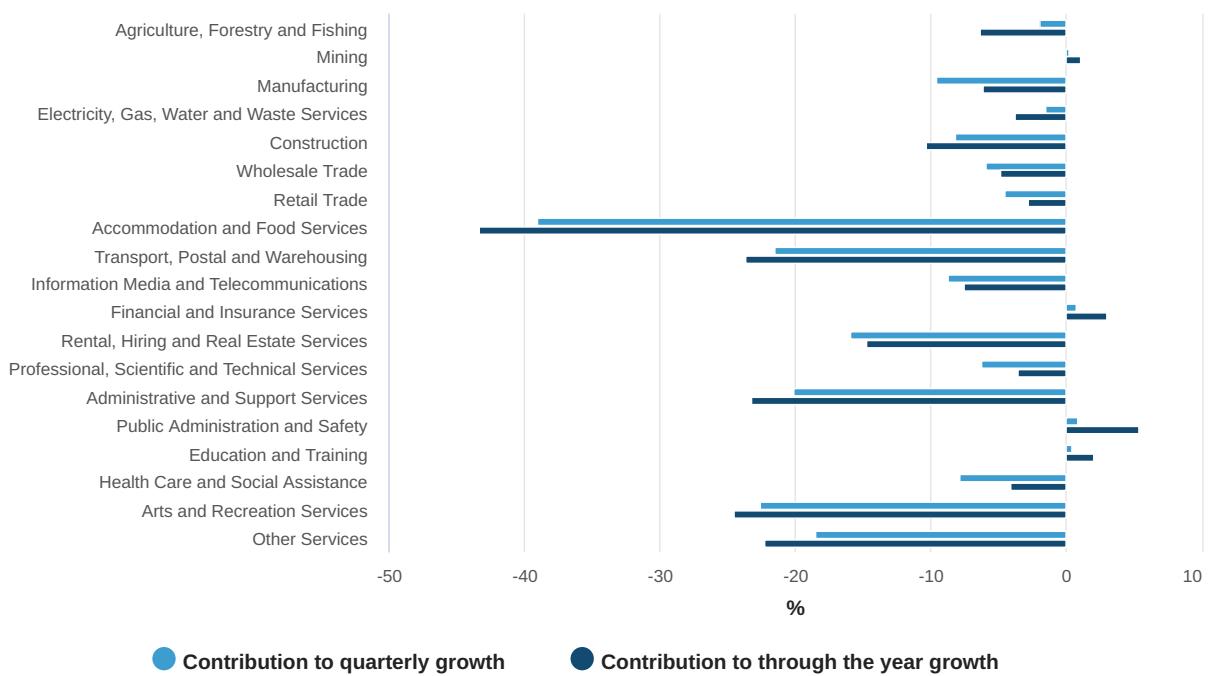
Source: 5601.0 - Lending Indicators, Jun 2020

Businesses

5.1 COVID-19 and business support impacts by industry

Gross value added fell 6.5% in the quarter with falls in 15 of the 19 industries. Record falls were observed in hospitality and tourism related industries due to impact the COVID-19 pandemic and associated restrictions.

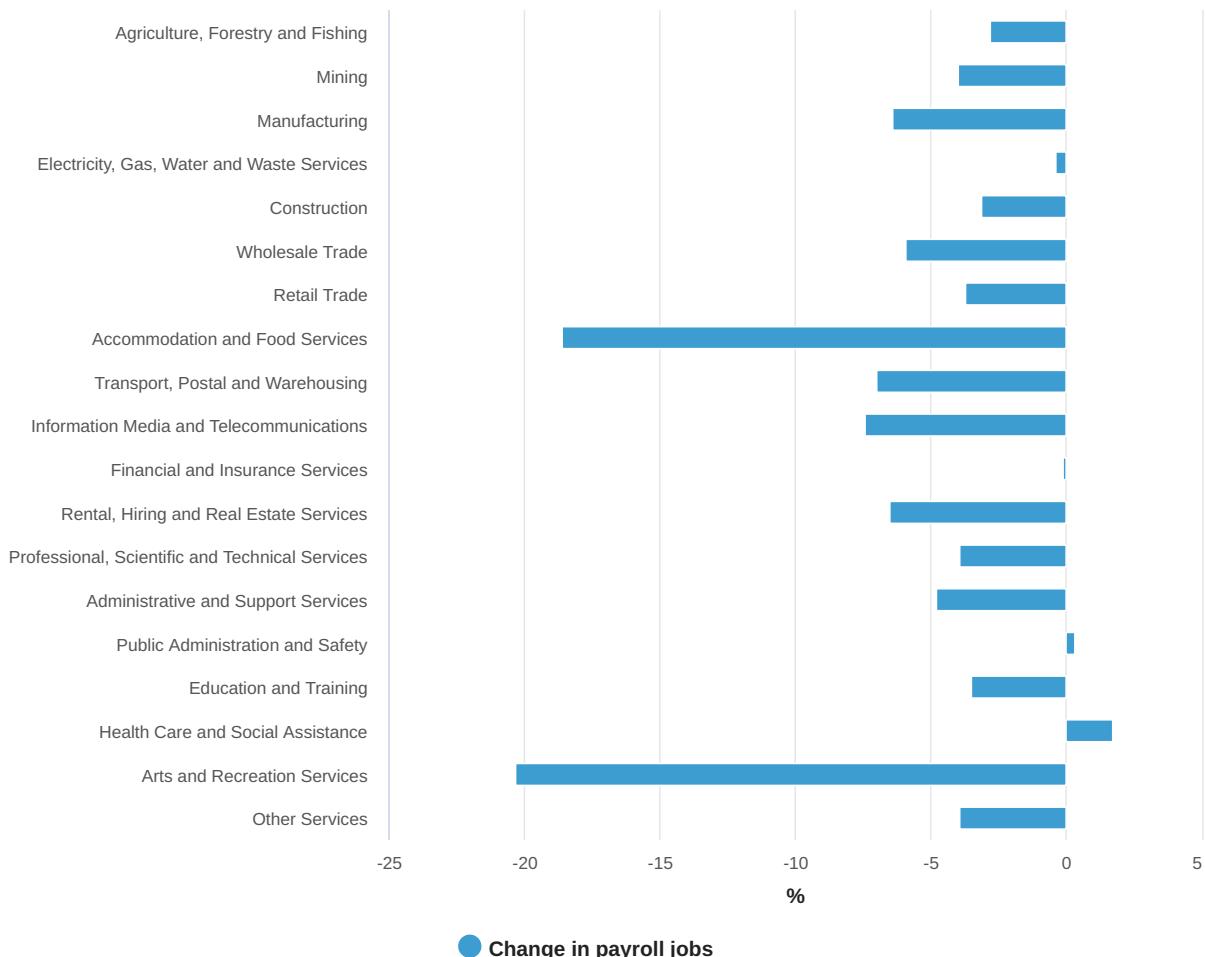
Figure 22: Gross value added by industry, volume measures: seasonally adjusted



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020

Weekly payroll jobs and wages data provide insights into how the pandemic affected industries in different ways. Mirroring the picture seen in other economic aggregates, from 14 March to 27 June, the most heavily impacted industries were Arts and recreation services (where jobs decreased by 20.3%), and the Accommodation and food services industry (with a 18.6% decrease).

Figure 23: Changes in payroll jobs by industry between 14 March 2020 and 27 June 2020



Source: 6160.055.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 8 August 2020 (published 25 August 2020)

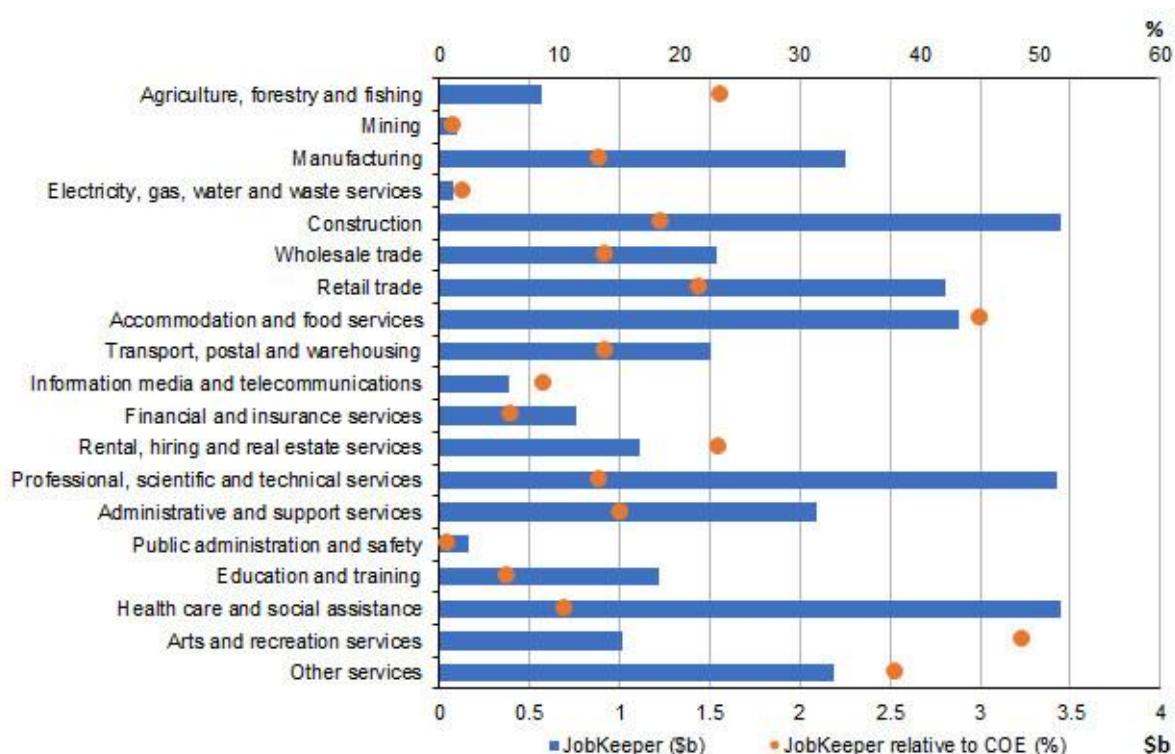
Additional analysis revealed the distribution of JobKeeper and Boosting Cash Flow for Employers payments by industry.

This analysis showed that JobKeeper payments were largely distributed to large employing industries such as Construction, Health care and social assistance, Professional, scientific

and technical services and Accommodation and food services.

JobKeeper payments relative to compensation of employees (COE) were highest in the industries where the most jobs were lost, such as Arts and recreation services (48.5%) and Accommodation and food services (45.0%).

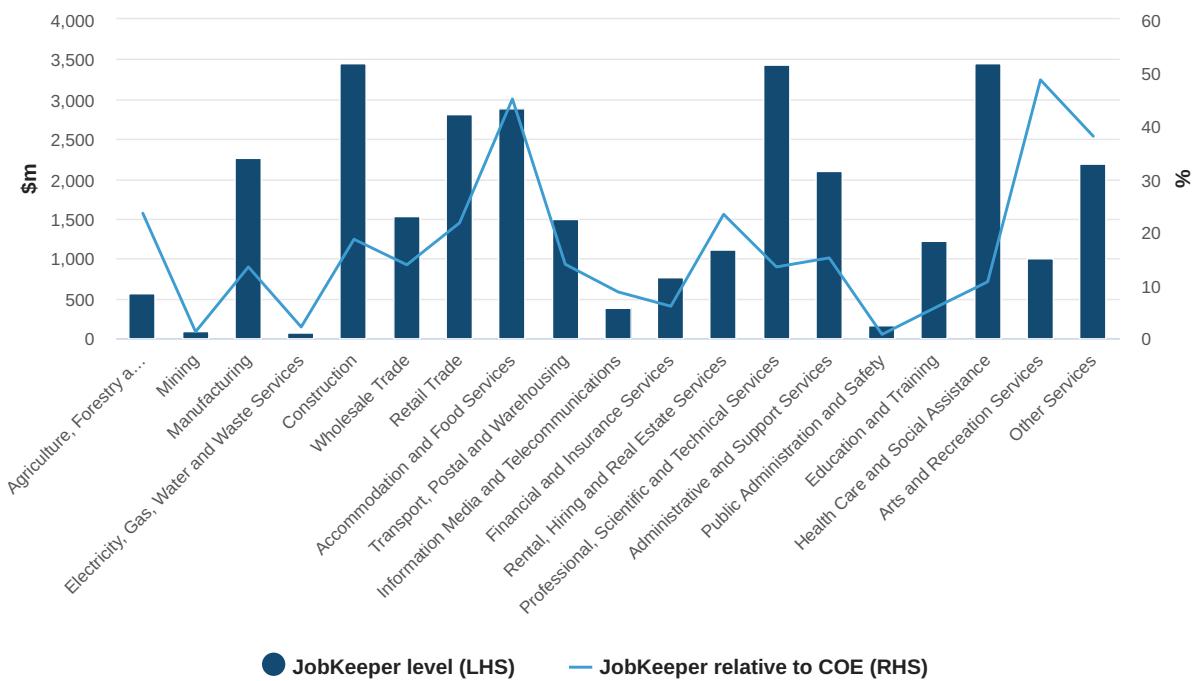
Figure 24: JobKeeper payments by industry relative to compensation of employees (COE)



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 – Government support for business

Graph and data for Figure 24: JobKeeper payments by industry relative to compensation of employees

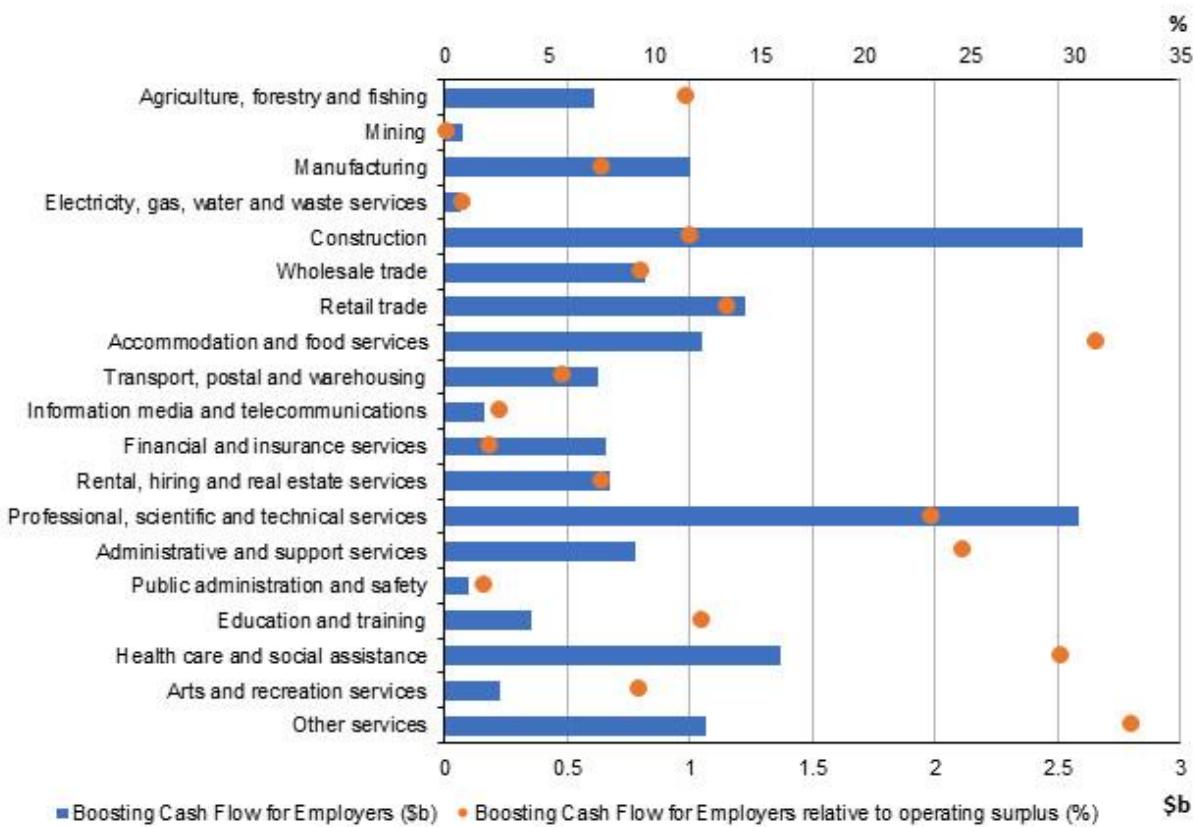
Figure 24: JobKeeper payments by industry relative to compensation of employees



Industries with a large share of small and medium sized businesses, including Construction and Professional, scientific and technical services, received the largest portion of the total Boosting Cash Flow for Employers payment.

Boosting Cash Flow for Employers payments, relative to operating surplus, were highest in the Other services (32.7%) and Accommodation and food services (31.0%) industries.

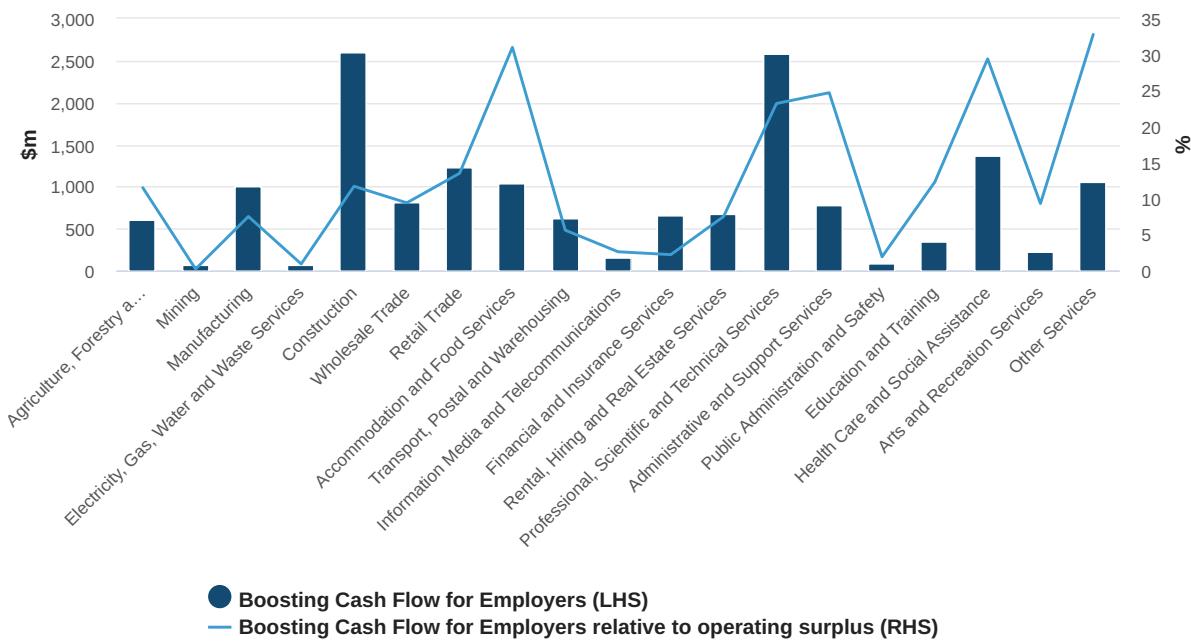
Figure 25: Boosting Cash Flow for Employers payments by industry relative to operating surplus



Source: 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2020 – Government support for business

Graph and data for Figure 25: Boosting Cash Flow for Employers payments by industry relative to operating surplus

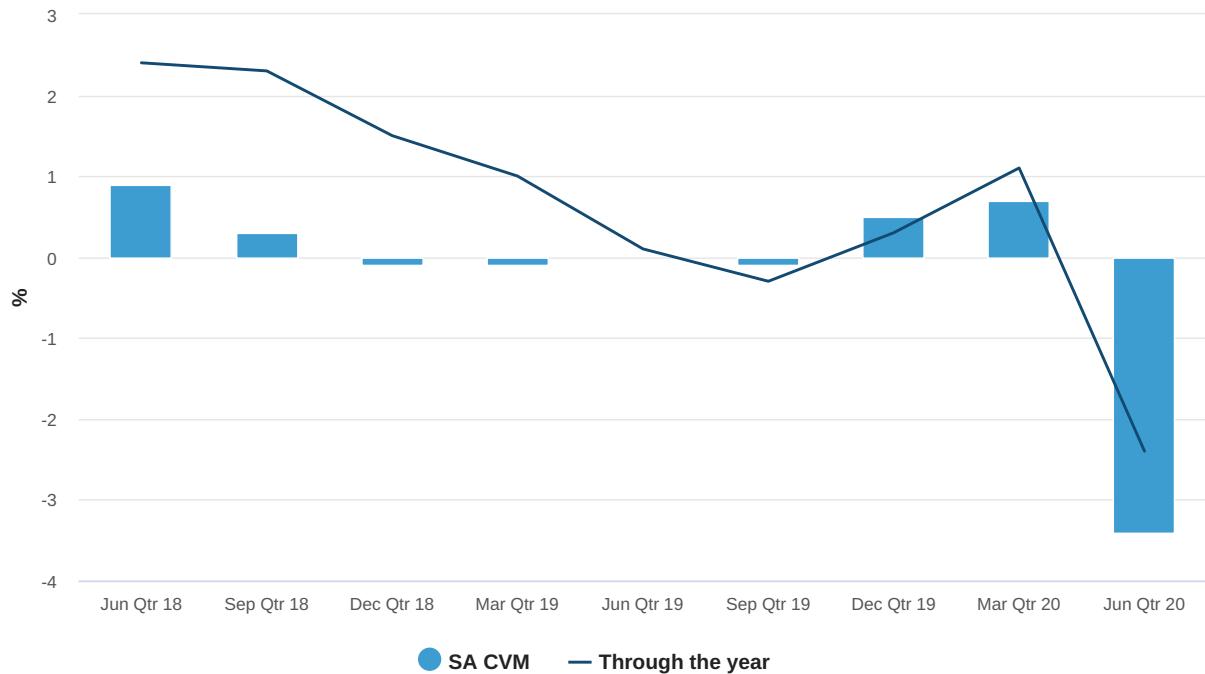
Figure 25: Boosting Cash Flow for Employers payments by industry relative to operating surplus



5.2 Retail turnover fell in April, but started to recover in May and June

Australian retail turnover rose 2.7% in June 2020, seasonally adjusted, following a rise of 16.9% in May. Despite these monthly rises, the June quarter saw the largest fall in seasonally adjusted retail volumes since the introduction of the GST in the September quarter 2000. Retail volumes fell 3.4% in the June quarter 2020, seasonally adjusted, following a rise of 0.7% in the March quarter.

Figure 26: Quarterly Retail Turnover, in volume terms, seasonally adjusted



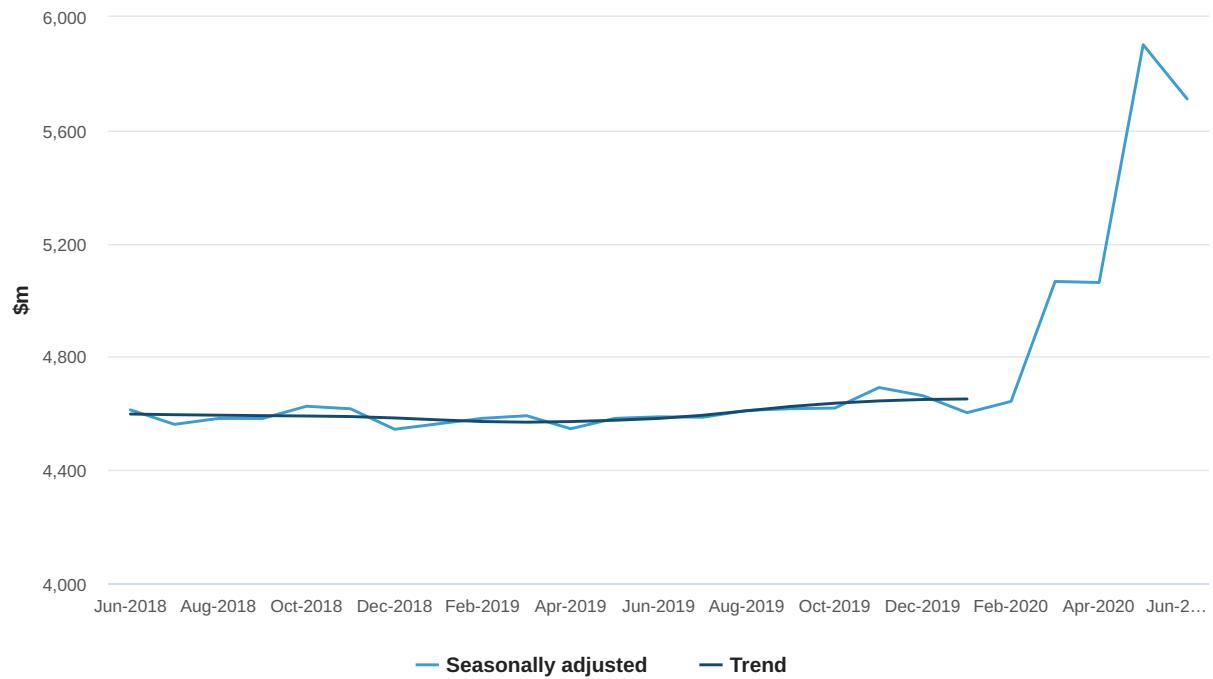
Source: 8501.0 - Retail Trade, Australia, June 2020

The quarterly fall in retail turnover was driven by falls in Cafes, restaurants and takeaway food services (-29.1 per cent), and Clothing, footwear and personal accessory retailing (-22.0%), which both saw very large falls in April. There were also falls in Food retailing (-1.6%) following a March quarter rise, and Other retailing (-0.7%).

In June there was some recovery in industries impacted by trading restrictions imposed in April and early May. As these restrictions eased, there were large month-on-month rises in Cafes, restaurants and takeaway food services (27.9%), and Clothing, footwear and personal accessory retailing (20.5%). Other retailing rose (0.3%) in June, while Department stores fell (-12.1%).

There was a large quarterly rise in household goods retailing (14.6%), where retailers reported increases in spending relating to furniture, home entertainment, home offices, and home improvement.

Figure 27: Household goods retailing



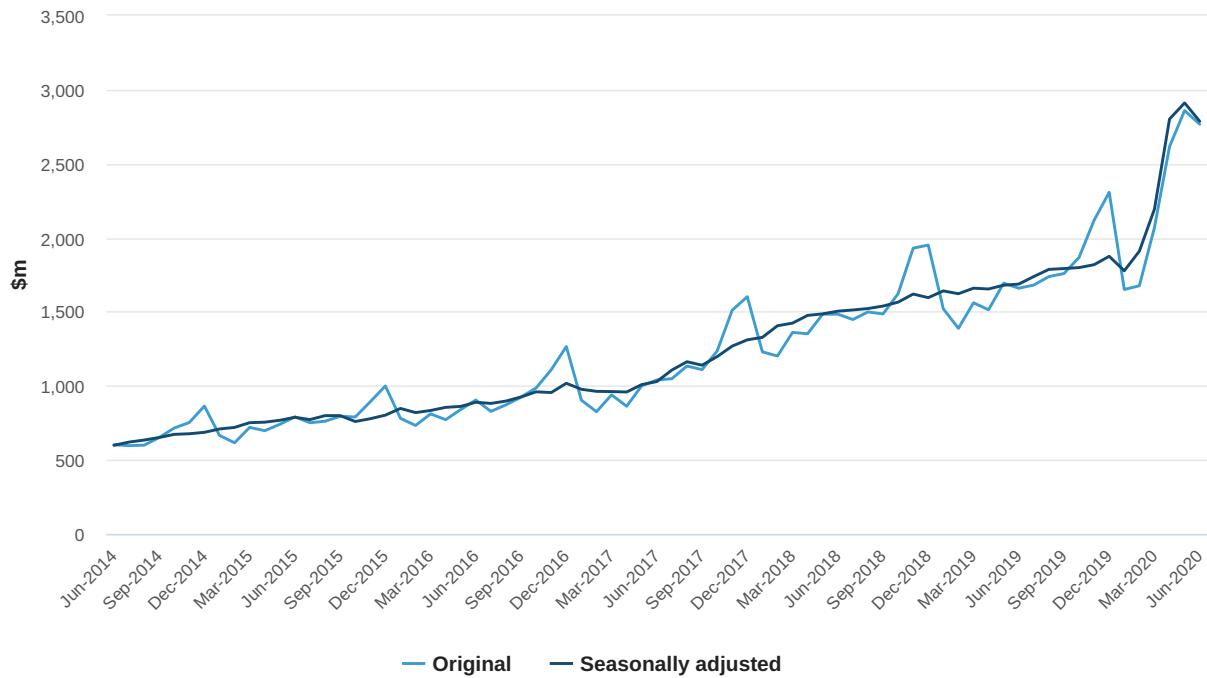
Source: 8501.0 - Retail Trade, Australia, June 2020

5.3 Online retail sales surged then stayed at a new high

Online retail sales saw large rises in March (15.1%) and April (27.0%) 2020, as consumers complied with regulations introduced to encourage social distancing and turned to online shopping. May and June then saw smaller movements with a 3.7% rise in May, and a fall of 4.8% in June.

The share of online sales remained elevated at 9.7% of total sales. While this was a slight fall from the peak of 11.1% in April 2020, the proportion of online sales in June was still significantly above pre-COVID-19 levels, indicating consumers continued to spend more online even as restrictions eased gradually in May and June.

Figure 28: Total online revenue, quarterly original and seasonally adjusted



Source: 8501.0 - Retail Trade, Australia, June 2020 – Supplementary COVID-19 analysis - Online sales

Early in the pandemic, the rise in online sales was driven by Non-food items, as customers turned to online shopping when physical stores closed in April. Food did not see a comparable rise in sales, as supermarkets remained open throughout the month and restricted online shopping to 'at-risk' customers.

From April, Non-food shopping eased, and physical stores re-opened. At the same time Food online sales rose as supermarkets returned to offering online shopping to all sections of the community.

5.4 Agriculture – Meat and wool production fell across the quarter

Environmental conditions and evolving COVID-19 restrictions impacted meat production with a fall in the June quarter. Mutton production decreased by 26.2%, lamb by 12.1%, beef by 8.5%, pork by 0.7% and chicken by 0.2%.

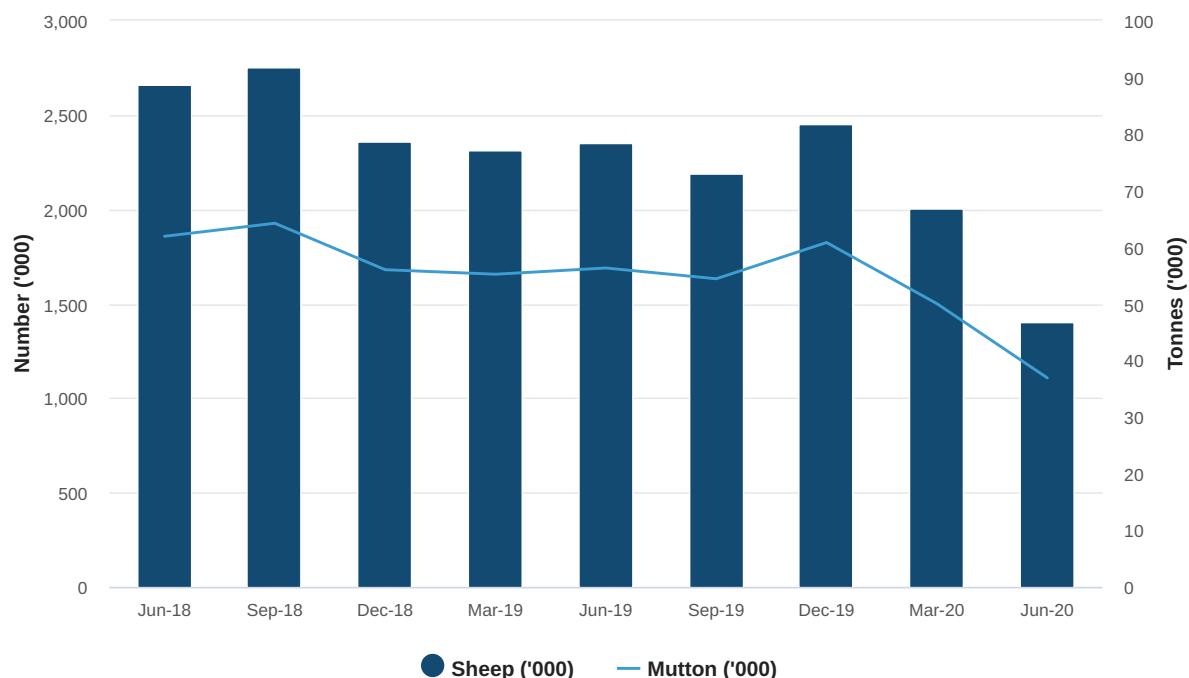
Improved weather conditions and availability of stock feed in key agricultural regions across Australia allowed primary producers to rebuild herd and flock sizes following a period of drought. This resulted in a decreased supply for abattoirs as fewer animals were available for meat production.

Some individual abattoirs and slaughtering establishments reported a range of impacts attributed to COVID-19 including:

- greater demand for meat from supermarkets and butchers; and
- a decrease in business operations due to COVID-19 restrictions, which flowed through to lower exports.

Wool receivals for the June 2020 quarter continued to be low, with 63,300 tonnes received (down 14.5%). Wool brokers and dealers reported decreases in all states except Queensland, with New South Wales down 7.9% (to 19,100 tonnes), Victoria down 21.2% (to 17,500 tonnes) and Western Australia down 14.4% (to 15,200 tonnes).

Figure 29: Sheep slaughter and mutton produced



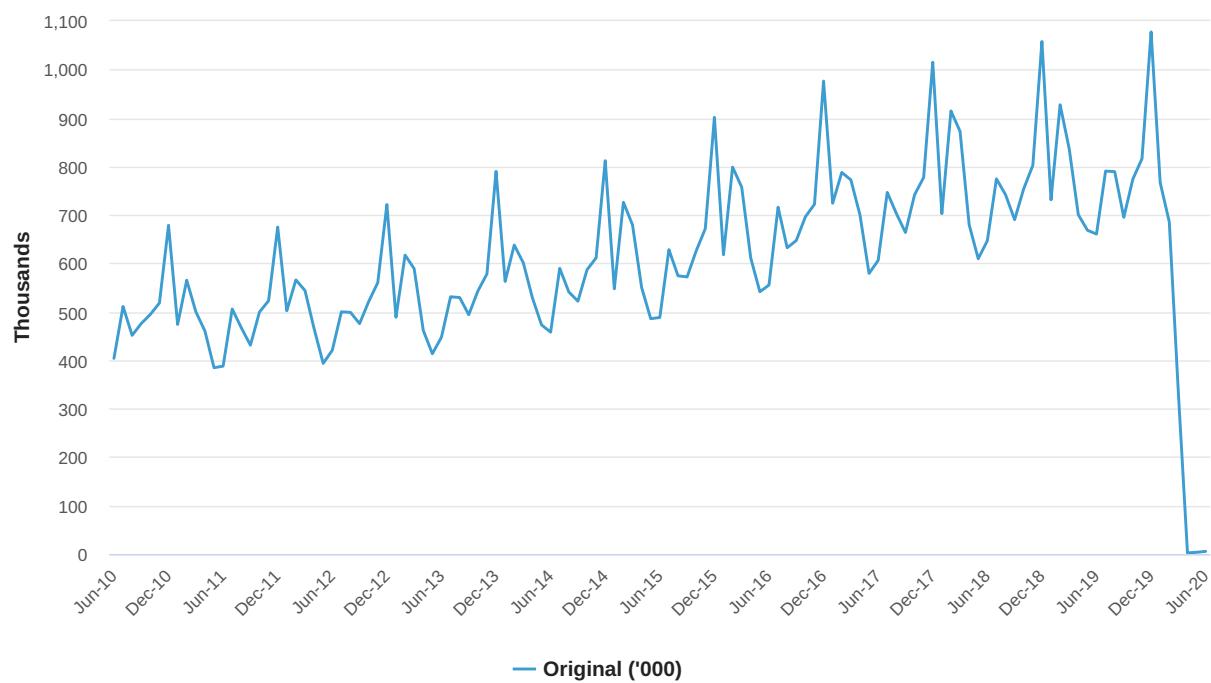
Source: 7215.0 - Livestock Products, Australia, June 2020

International travel, trade and investment

6.1 Overseas arrivals and departures virtually stopped

The year ending January 2020 saw a record 9.5 million visitors arrive in Australia. Tighter restrictions from 20 March resulted in a dramatic fall in visitor arrivals, of close to 100%, with only 5,400 visitor arrivals in June 2020. In all three months of the June quarter, New Zealand was the largest source country, accounting for 27% of visitor arrivals in June, 35% in May and 16% in April. The changing pattern of overseas arrivals and departures had a profound impact on business conditions across the June quarter.

Figure 30: Short-term visitor arrivals (a)



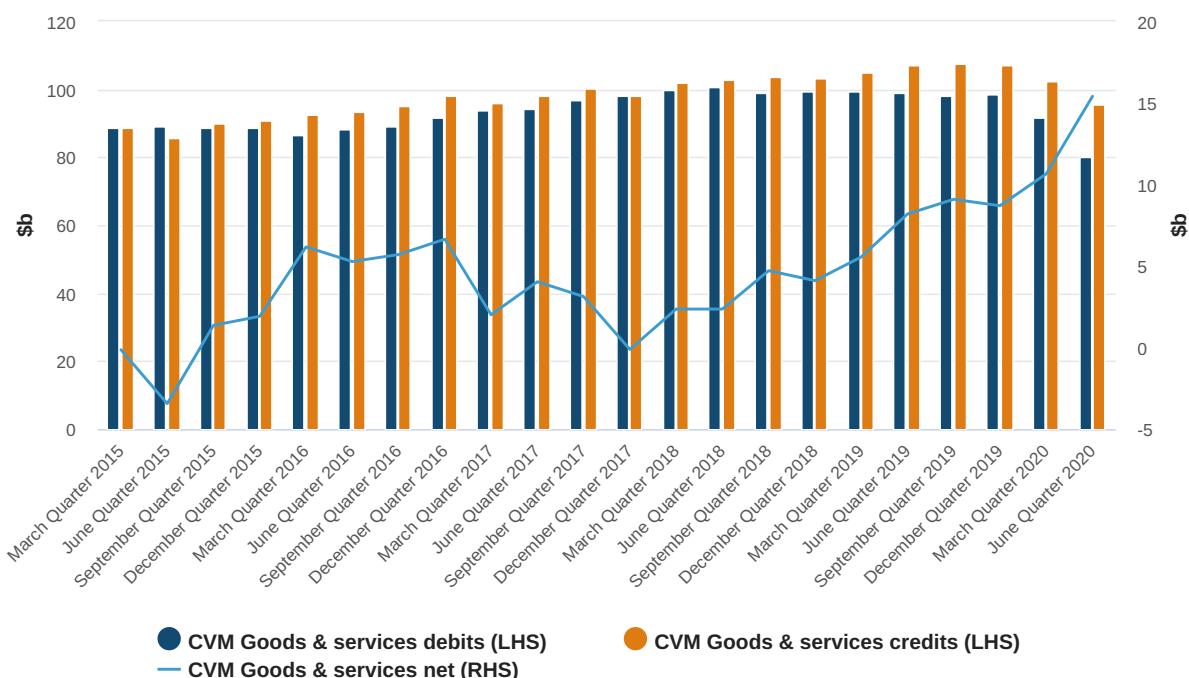
Source: 3401.0 - Overseas Arrivals and Departures, Australia, Jun 2020 – Original estimates

(a) Overseas arrivals and departures statistics are international travel movements of persons arriving in, and departing from Australia with a focus on short term trips (less than 1 year). These represent the number of international border crossings rather than a number of people.

6.2 Balance on goods and services

The June quarter saw the 10th consecutive surplus in the balance on goods and services (the trade surplus) supporting a fifth successive current account surplus in seasonally adjusted, current price terms. This was despite the level of imports and exports falling strongly (Figure 31) as the result of COVID-19 impacts.

Figure 31: Goods and services (chain volume measures), seasonally adjusted



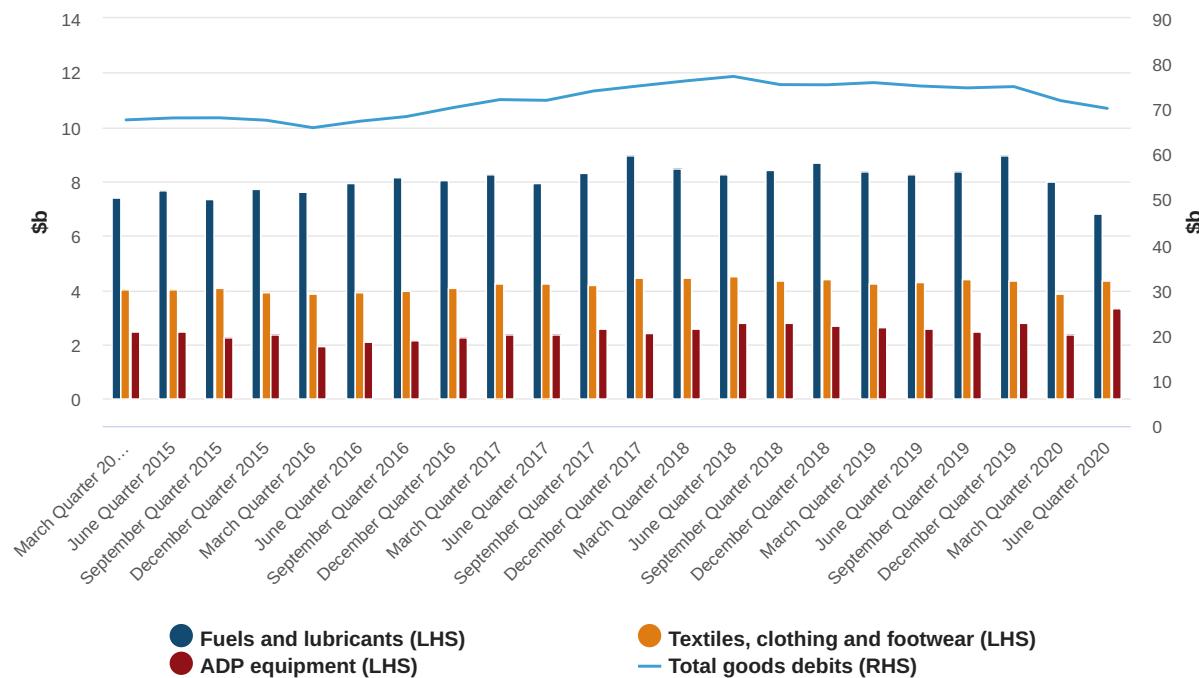
Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

Reduced consumer demand and international supply disruptions resulted in falls to both non-industrial and industrial transport equipment imports through the June quarter.

Reduced travel, including domestic and international air travel, led to falls of Fuels and lubricants imports. In contrast, working-from-home increased the demand for automatic data processing equipment (for example laptops, PCs and tablets) resulting in increased imports as back orders were filled from a supply constrained March quarter. Similarly, the Textiles, clothing and footwear category rose, as imports for personal protective equipment

(for example, masks and gloves) flowed through the June quarter.

Figure 32: Imports of goods (chain volume measures), seasonally adjusted

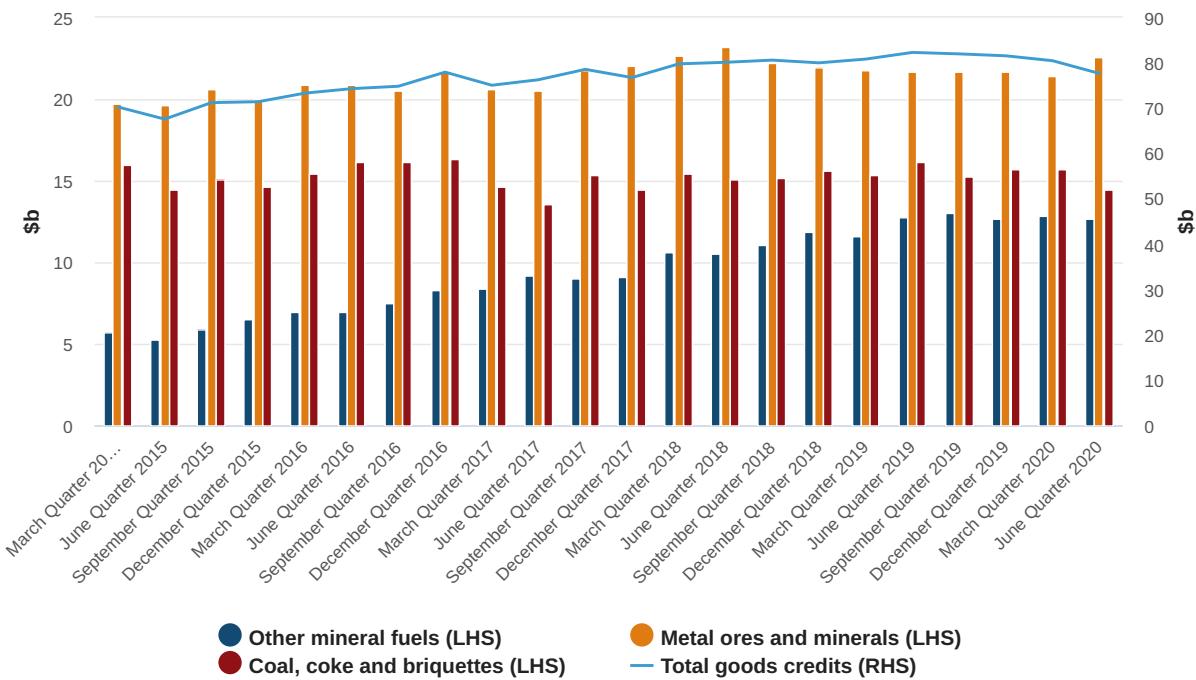


Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

The global production shutdown, combined with energy resource stockpiling following a warmer than average northern hemisphere winter, drove a fall in export demand for thermal and semisoft coal (to Japan and India in the main), and Other mineral fuels such as liquid natural gas and petroleum (Figure 33).

Metal ores and minerals exports increased on the back of increased Australian iron ore (and hard coking coal) demand from China, as its economy continued to be stimulated through large infrastructure projects.

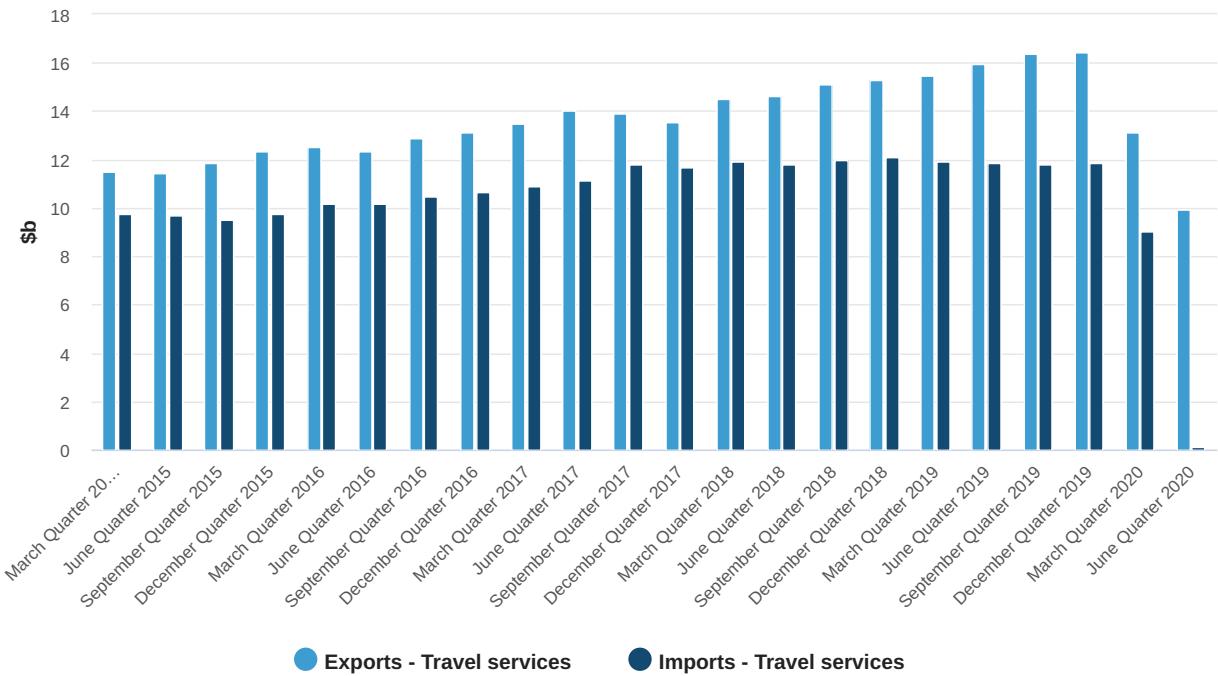
Figure 33: Export of goods (chain volume measures), seasonally adjusted



Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

COVID-19 travel restrictions had a dramatic effect on the import and export of travel services (Figure 34). Travel services exports fell with the number of foreign travellers dropping 98% between the March and June quarters. Education related travel cushioned the fall in travel services exports as the vast majority of students remained in Australia. Travel services imports fell 99% as the full impact of international travel restrictions was felt.

Figure 34: Volume of travel services, seasonally adjusted

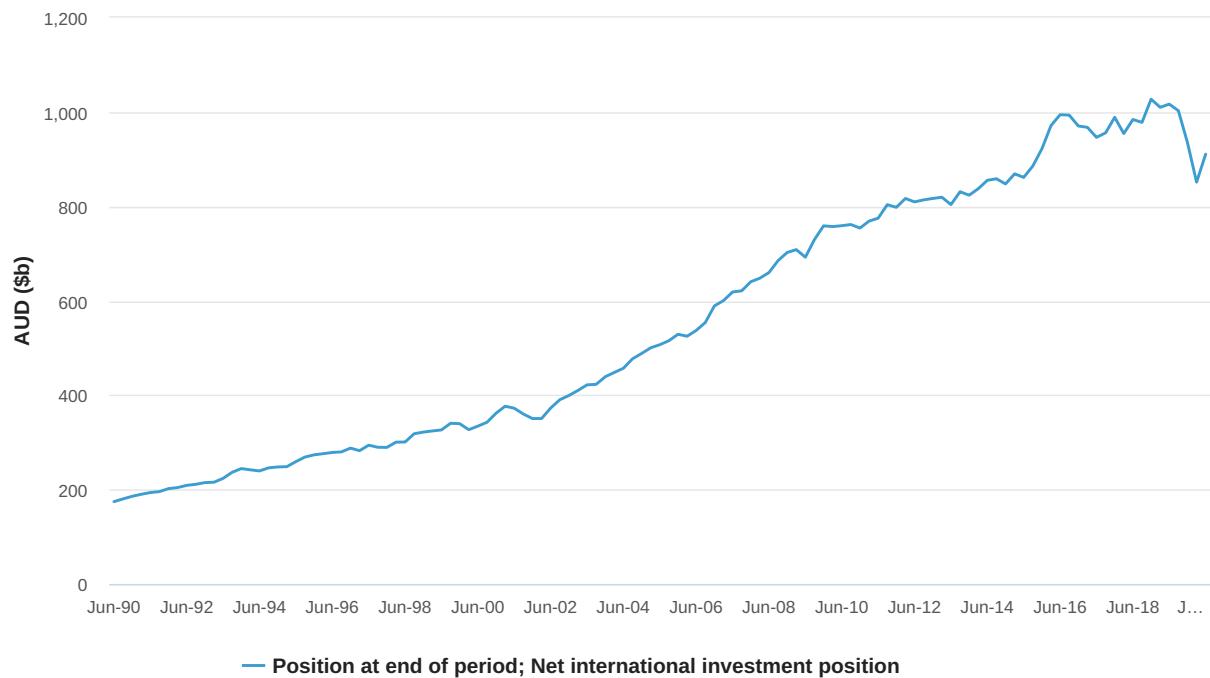


Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

6.3 Australia's International Investment Position

Australia's net International Investment Position (IIP) increased \$59.3 billion in the June quarter 2020. The IIP is an internationally comparable indicator showing the extent to which a country is a net importer of financial capital from the rest of the world, or a net exporter. In the June quarter 2020 Australia continued in a net liability position, that is, a net importer of financial capital to help drive domestic economic activity.

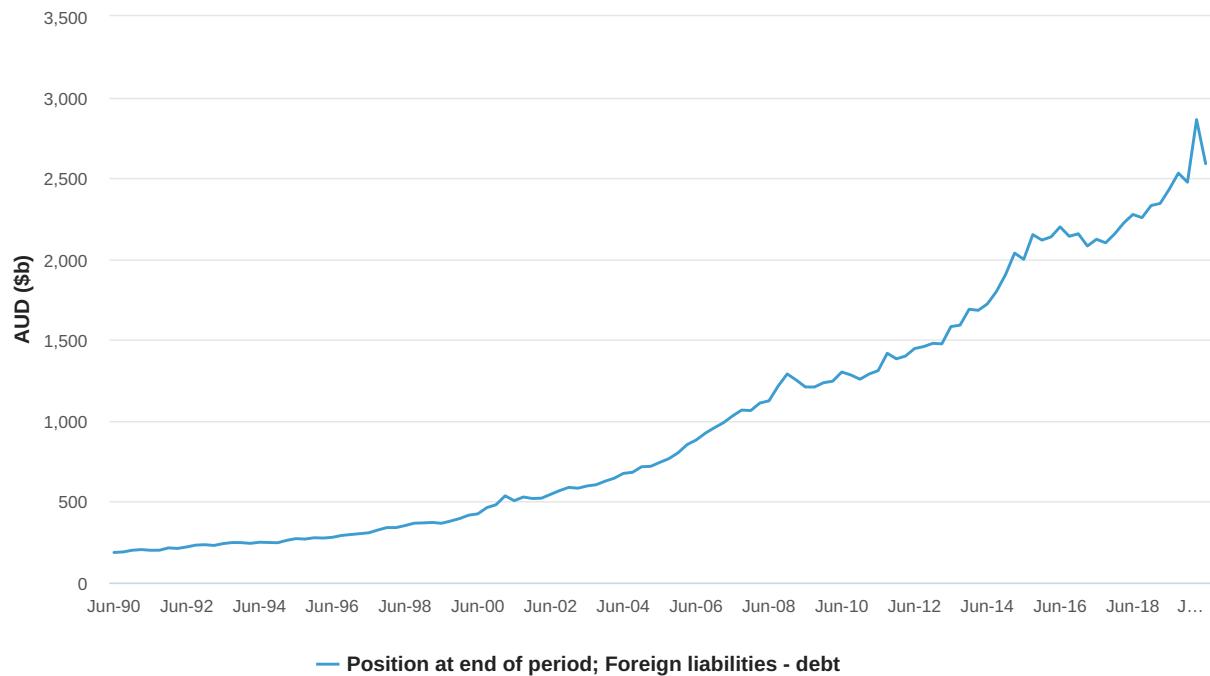
Figure 35: International Investment Position (IIP)



Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

In gross terms, Australia's level of foreign debt rose significantly in March quarter 2020 (Figure 36). Foreign debt fell in the June quarter 2020, but remained above its December quarter 2019 level.

Figure 36: Australia's gross foreign debt liabilities

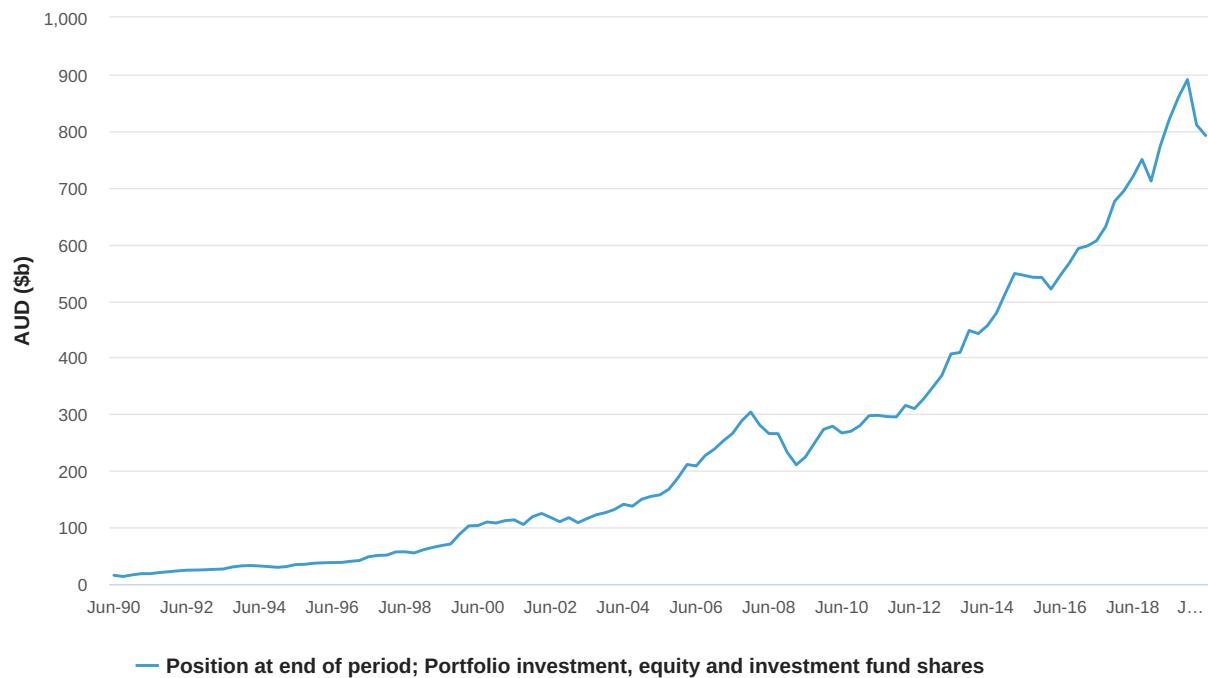


Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

6.4 Australia's foreign equity and investment funds

Over the past decade, Australia's Institutional funds accumulated a significant stock of foreign (i.e. offshore) equity assets (Figure 37) to access the benefits of portfolio diversification and improved overall returns from foreign businesses.

Figure 37: Equity and investment fund shares (portfolio investment)



Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

This investment strategy led to Australia holding significant amounts of foreign equity assets before the COVID-19 pandemic. As the pandemic took hold, equity markets across the globe tumbled, suffering valuation losses not seen since the 2007-09 global financial crisis.

Compounding the loss, superannuation funds, in particular, sold off foreign equity holdings, in part to ensure liquidity for the COVID-19 Early release of superannuation scheme. These impacts threatened to reverse the recent downward trend on the IIP and diminish Australia's foreign equity position.

Despite the liquidation of foreign equities and the fall in the global share market value, Australia's institutional funds sector was able to partially recover, as the falling AUD acted as an economic shock absorber.

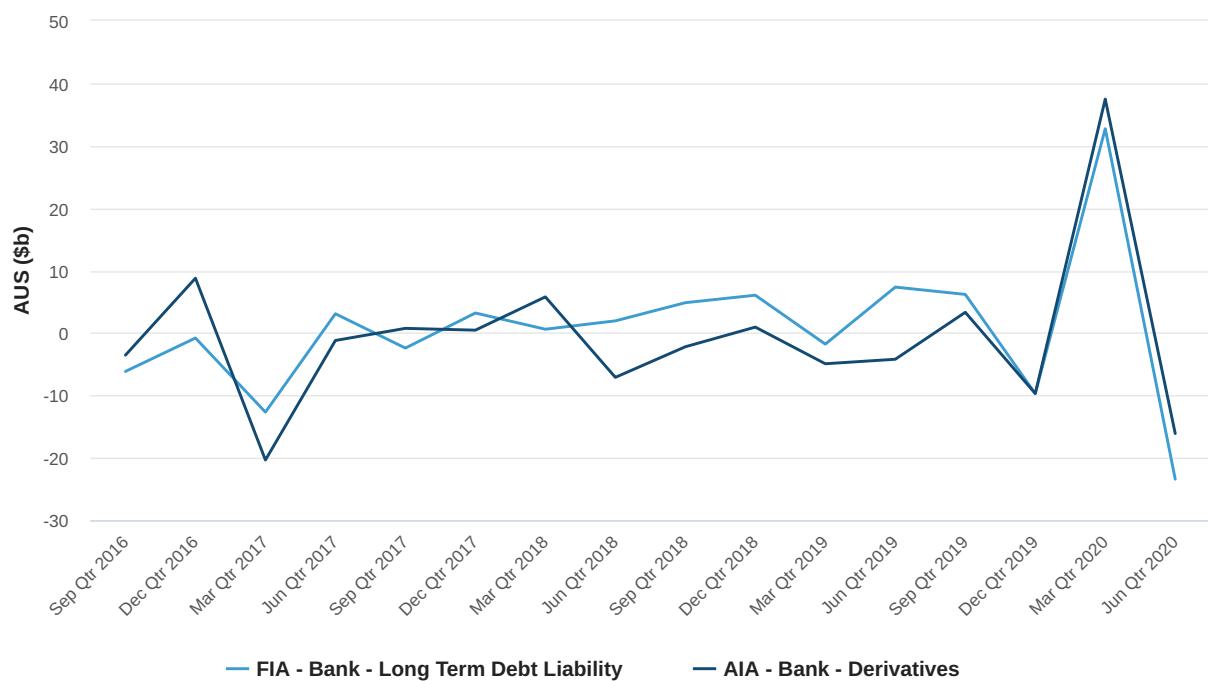
6.5 Net Foreign Liability to GDP ratio fell to historic lows

The IIP to GDP ratio reflects the level of foreign financial investment as a proportion of the nation's overall annual output. While these data highlight a shift in Australia's financial relationship with the rest of the world (Figure 39), it is the period impacted by the COVID-19 pandemic which is the most revealing.

Due to the pandemic, March quarter 2020 saw several economic and financial impacts: stock values fell on global equity markets; businesses sought debt to fund operations; and the Australian dollar (AUD) depreciated to levels not seen since the early 2000s.

Mitigating the impact of Australia's expanding foreign debt levels is the use of derivatives, the cross-currency-interest-rate swap, in particular. This relationship is illustrated by comparing the valuation movements of derivatives and long-term debt liabilities in the banking sector (Figure 38).

Figure 38: Valuation of derivatives and long term debt liabilities

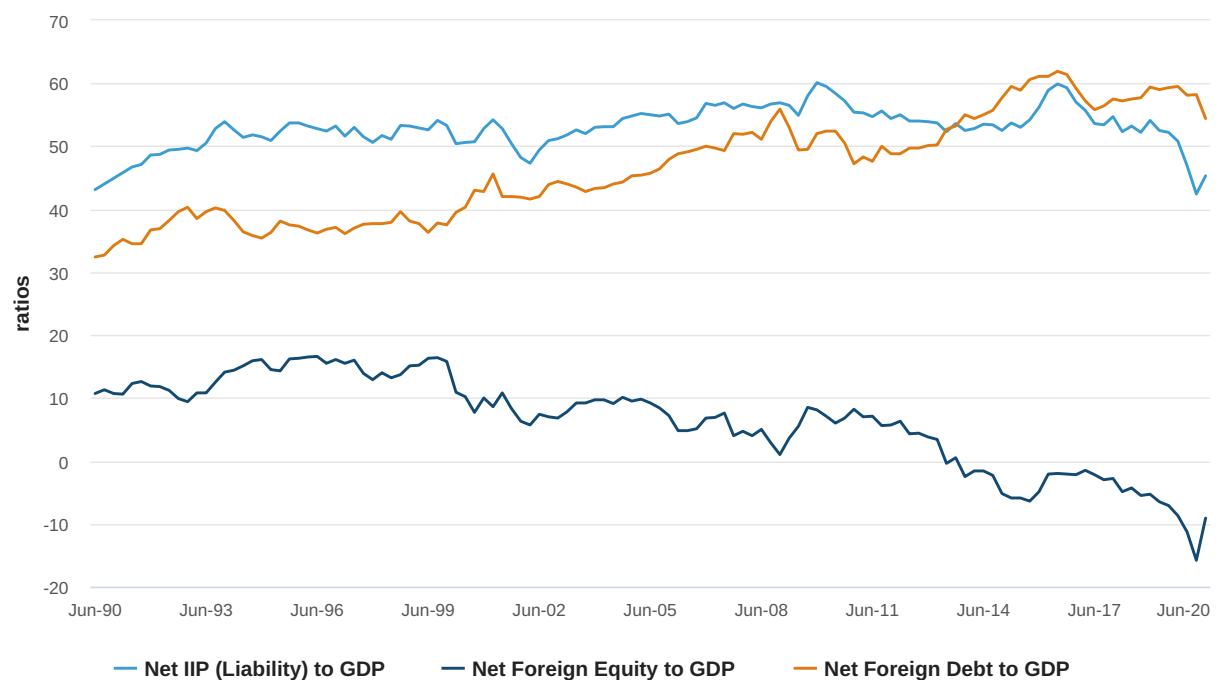


Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

The relatively stable net foreign debt to GDP ratio highlights that Australia effectively hedges

against foreign exchange risk through the use of derivatives such as cross-currency-interest-rate swaps. As a result, the IIP to GDP ratio decreased to a 30 year low of 42% in March quarter with an uptick to 45% in the June quarter, the second lowest figure over the same 30-year period.¹⁰ This was driven by the falling net Foreign Equity to GDP ratio as the net Foreign Debt to GDP ratio remained roughly steady.¹¹

Figure 39: IIP to GDP ratios



Source: 5302.0 - Balance of Payments and International Investment Position, Australia, Jun 2020

Conclusion

The ongoing effects of the COVID-19 pandemic in the June quarter 2020 resulted in unprecedented movements in a wide range of key ABS economic statistics. This article brings together the stories of the June quarter from these releases. We would like to thank the business and household survey respondents who continued to respond to our surveys in this challenging quarter. Without their cooperation we would not have been able to produce this wide range of economic information.

The ABS will consider publishing a similar overview after the release of the September quarter 2020 National Accounts, if warranted, to continue to document the unusual economic outcomes observed in 2020, and the factors which drove them.

Footnotes - show all

1. This article presents the work of a large number of teams across the ABS. Jacqui Jones and Kristen Stone were the lead authors, with key contributions from: Michael Abbondante, Greg Carey, Cheng Chen, Meg Dixon-Child, Ben Dorber, Ben Faulkner, Michael Gerrity, Grace Kim, Tom Lay, Nicole Lehmann, Fiona McLean, Dane Mead, Clair Phillips, Cheryl Sharland, Andrew Tomadini and Branko Vitas.
2. Figures sourced from Australian National Accounts: National Income, Expenditure and Product, Jun 2020, ABS Cat. no. 5206.0.
3. Figures are not seasonally adjusted; sourced from Government Finance Statistics, Australia, Jun 2020, ABS Cat. no. 5519.0.55.001.
4. Figures sourced from Australian National Accounts: National Income, Expenditure and Product, Jun 2020, ABS Cat. no. 5206.0.
5. From the March quarter 1991 onwards.
6. The ratio of foreign equity assets to GDP held by Australia is increasing, thereby decreasing the IIP to GDP ratio.
7. For further details please see the feature article: Classifying people during the COVID-19 period. within Labour Force, Australia, March 2020, available at <https://abs.gov.au/articles/classifying-people-labour-force-survey-during-covid-19-period> (<https://author.absweb.aws.abs.gov.au/articles/classifying-people-labour-force-survey-during-covid-19-period>)
8. Total subsidies on production include other subsidies on production plus subsidies on product.
9. Numbers in this section are sourced from Government Finance Statistics, Australia, Jun 2020, ABS Cat. no. 5519.0.55.001.
10. From the March quarter 1991 onwards.
11. The ratio of foreign equity assets to GDP held by Australia is increasing, thereby decreasing the IIP to GDP ratio.